

GRANDFATHERED RULES

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Delivery Rules of the BSE, Inc.

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GRANDFATHERED RULES

Upon the acquisition of the Boston Stock Exchange by The NASDAQ OMX Group and its renaming as NASDAQ OMX BX, the rules of the Exchange under its former name remained in effect. These rules, as amended subsequent to that acquisition, are entitled the "Grandfathered Rules." The Grandfathered Rules shall apply to the Boston Options Exchange Group LLC ("BOX") and Options Participants and associated persons subject to the jurisdiction of the Exchange that occurred during the time that BOX was a facility of the Exchange. The Grandfathered Rules, where applicable, shall also apply to activities of members, members organizations, persons associated with members, and other persons subject to the jurisdiction of the Exchange that occurred prior to the adoption of the Equity Rules. (The Exchange adopted new, different rules for equities trading, the "Equity Rules"). Certain provisions of the former Constitution of the Boston Stock Exchange also have been incorporated in amended form into these Grandfathered Rules, as set forth below.

Adopted.

August 7, 2008.

Amended.

May 14, 2012.

GRANDFATHERED BSE RULES

Provisions Of The Former Constitution Of The Boston Stock Exchange, Inc., That Have Been Incorporated Into the Grandfathered Rules

(The original numbering of the Articles and Sections of these provisions has been retained for ease of reference.)

Article IX Participation

Sec. 6.

Investigation and Acceptance by Exchange

Upon receipt of an application to become a Participant, together with such reasonable investigation fee as the Exchange may prescribe, the Exchange shall make appropriate investigation and examination of the applicant and its associated persons, and shall, within 30 days of receipt of such application, notify the applicant of its acceptance, rejection, or conditional acceptance. In making its determination, the Exchange may hold such hearings and make such independent investigation as it may, in its discretion, determine. Notwithstanding the foregoing, the Exchange may, consistent with the provisions of Section 6(c) of the Securities Exchange Act of 1934, decline to accept the application of any applicant upon a determination by the Exchange that the Exchange does not have adequate personnel, space, data processing or other operational capability at that time to furnish service to additional applicants or the particular applicant (due to the expected volume of its transactions) without impairing the ability of the Exchange to provide such services. (See BOX Rule Chapter II, Participation).

Adopted.

August 7, 2008.

Sec. 10.

Non-liability of Exchange

The Exchange shall not be liable for damages sustained by a Participant resulting from the use of facilities afforded by the Exchange to Participants for conduct of their business.

Adopted.

August 7, 2008.

Article XIII Insolvent Participants

Sec. 1.

Notice to the Exchange

A Participant who is insolvent shall immediately inform the Exchange, through BOXR, in writing. Such Participant shall thereby become suspended from its Participant status. Once the suspended Participant is no longer insolvent, it may re-apply for Participant status.

The failure by a Participant to notify the Exchange as required herein shall not subject the Exchange to liability on behalf of the Participant. The Participant remains solely responsible as a party to the transaction(s) at issue, and the Exchange does not become a de facto guarantor of the Participant's obligations.

Adopted.

August 7, 2008.

Sec. 2.

Notification by the Exchange

The Exchange shall notify the Securities and Exchange Commission of the insolvency and suspension of such Participant suspended in accordance with Section 1 of this Article XIII.

Adopted.

August 7, 2008.

Article XIV Expulsion and Suspension

Sec. 6.

Exchange Inquiries

The Board, any committee or any authorized officer of the Exchange may require that a Participant of the Exchange submit to the Board, any such committee or authorized officer, for examination, such portion of his books and records as are deemed material and relevant to any matter under investigation by said Board, committee or authorized officer. Any Participant who refuses or neglects to comply with such requirement, or willfully destroys any such required evidence, or who, being duly summoned, refuses or neglects to appear before the Board or any such committee as a witness, or refuses to testify before the

Board or any such committee, may be suspended or expelled.

Adopted.

August 7, 2008.

Rules of the Board of Governors or BSE Rules

Chapter I – Definitions

SEC. 1. Exchange --Board of Governors

The terms "Exchange" and "Board of Governors" when used with reference to the administration of any rule, shall, whenever appropriate, include or mean any other officer or employee or any committee to whom the BX Board of Directors shall have delegated any of its powers or duties. References to the Constitution shall mean the BX By-laws, where applicable.

••• Supplementary Material: ...

.10 All members of the Board of Governors and the Market Performance Committee who are active on the Floor shall be deemed Floor Officials.

.20 Floor Officials shall have power to supervise and regulate active openings and unusual situations that may arise in connection with the making of bids, offers or transactions on the Floor. Floor Officials shall have power also to supervise and regulate the operation of ITS during active openings and unusual situations.

.30 A Floor Official's contribution to the efficiency of the Exchange marketplace is not only evidenced by the board authority delegated to them by the Board of Governors, but also by the incorporation of a requirement for Floor Official approval and/or supervision in numerous rules, policies and interpretations governing trading on the Exchange, such as trades to be effected at wide variations in price, delayed openings, halts in trading, the election of stop orders, stopping stock in eighth point markets, and many more.

.40 Since the process is based upon an impartial evaluation of market data, a Floor Official may not participate in the assessment or adjudication of any matter in which he or his member organization has a direct interest and which would, thereby, present a potential conflict of interest.

.50 The authority of the Floor Official position carries with it a responsibility to keep apprised of new rules and policy determinations which are published in Exchange memoranda, and a responsibility to seek assistance if he has difficulty making a decision or is uncertain as to a particular rule interpretation. The Floor Official's market expertise and judgment will be called upon for a wide range of market situations and rule applications; therefore, he should not hesitate to consult with other Floor Officials or the staff whenever assistance is needed.

.60 Summaries of questions received and answers given will be issued to all Floor Officials periodically by the staff for educational purposes regarding the subject matter, and to ensure a uniformity of rule interpretations by Floor Officials.

.70 Once a decision has been made by a Floor Official, a member may, on a timely basis, bring any substantial change in circumstances to the attention of the Floor Official involved in the ruling. A member may also appeal a ruling to a panel of three Floor Officials.

.80 Failure to comply with a Floor Official ruling or an appealed ruling that stands shall be deemed to be a

violation of the Rules of the Board of Governors.

Amended.

May 9, 1989. July 2, 1997. May 14, 2012.

SEC. 2. "Member," "Membership," "Member-Firm," etc.

The terms "member," "membership," "member firm," "allied member," "non-member," and "member corporation" shall have the meanings specified in Article I, Section 3 of the Constitution, and the terms "publicly held security," "voting stock" and "non-voting stock," when used with respect to a member corporation, shall also have the meanings specified in Article I, Section 3 of the Constitution.

The term "member organization" includes "member firm" and "member corporation."

For purposes of Exchange rules, the term "control" means the power to direct or cause the direction of the management or policies of a person, whether through ownership of securities, by contract or otherwise. A person shall be presumed to control another person if such person, directly or indirectly,

(i) has the right to vote 25 percent or more of the voting securities,

(ii) is entitled to receive 25 percent or more of the net profits, or

(iii) is a director, general partner or principal executive officer (or person occupying a similar status or performing similar functions) of the other person.

Any person who does not so own voting securities, participate in profits or function as a director, general partner or principal executive officer of another person shall be presumed not to control such other person. Any presumption may be rebutted by evidence, but shall continue until a determination to the contrary has been made by the Exchange.

The term "person" shall mean a natural person, corporation, partnership, association, joint stock company, trust, fund or any organized group of persons whether incorporated or not.

The term "approved person" means a person who is not a member or allied member of the Exchange or an employee of a member organization, who has become an approved person as provided in the rules of the Exchange and who is either:

(i) a person who controls a member or member organization, or

(ii) a person engaged in a securities or kindred business who is controlled by or under common control with a member or member organization.

The term "engaged in a securities or kindred business" means transacting business generally as a broker or dealer in securities, including but not limited to, servicing customer accounts or introducing them to another person.

Amended.

May 18, 1994.

SEC. 3. Orders

Bids and offers for stocks may be made as follows:

All or None Order

A market or limited price order which is to be executed in its entirety or not at all, but, unlike a fill or kill order, if not to be treated as cancelled if not executed as soon as it is represented at the specialist's post. The making of "all or none" bids or offers in stocks is prohibited.

At the Close Order

A market order which is to be executed at or as near to the close as practicable.

At the Opening or at the Opening Only Order

A market or limited price order which is to be executed at the opening of the stock or not at all, and any such order or the portion thereof not so executed is to be treated as cancelled.

Day Order

An order to buy or sell which, if not executed, expires at the end of the trading day on which it was entered.

Do Not Reduce or "DNR" Order

A limited order to buy, a stop order to sell or a stop limit order to sell which is not to be reduced by the amount of an ordinary cash dividend on the ex-dividend date. A do not reduce order applies only to ordinary cash dividends; it should be reduced for other distributions such as when a stock goes "ex" a stock dividend or ex-rights.

Do Not Increase or "DNI" Order

A limited order to buy, a stop order to sell or a stop limit order to sell which is not to be increased in shares on the ex-date as a result of a stock dividend or stock distribution.

Fill or Kill Order

A market or limited price order which is to be executed in its entirety as soon as it is represented at the specialist's post, and such order, if not so executed, is to be treated as cancelled. For purposes of this definition, a "stop" is considered an execution.

Good 'Till Cancelled Order (GTC) or Open Order

An order to buy or sell which remains in effect until it is either executed or cancelled.

Immediate or Cancel Order

A market or limited price order which is to be executed in whole or in part as soon as such order is represented at the specialist's post, and the portion not so executed is to be treated as cancelled. For purposes of this definition, a "stop" is considered an execution.

A "commitment to trade" received on the Floor through ITS shall be treated in the same manner, and entitled to the same privileges, as would an immediate or cancel order that reaches the Floor at the same time except as otherwise provided in the ITS Plan and except further that such a commitment may not be "stopped" and the commitment shall remain irrevocable for the time period chosen by the sender of the commitment.

Instant Liquidity Access ("ILA") Order

An ILA order is a round-lot limit order of no less than 100 shares priced at the Exchange's published offer (in the case of a buy) or at the Exchange's published bid (in the case of an order to sell), which a member or member-organization has entered for immediate execution in accordance with, and to the extent provided by, Chapter XXXIII, Section 8 (Instant Liquidity Access) of these Rules.

Limit, Limited Order of Limited Price Order

An order to buy or sell a stated amount of a security at a specified price, or at a better price, if obtainable after the order is represented at the specialist's post.

Market Order

An order to buy or sell a stated amount of a security at the most advantageous price obtainable after the order is represented at the specialist's post.

"Not Held" Order

A "not held" order is a market or limited price order marked "not held," "disregard tape," "take time," or which bears any such qualifying notation.

An order marked "or better" is not a "not held" order. A specialist may not accept a "not held" order.

Scale Order

An order to buy (or sell) a security which specifies the total amount to be bought (or sold) and the amount to be bought (or sold) at specified price variations.

Sell "Plus"-Buy "Minus" Order

A market order to sell "plus" is a market order to sell a stated amount of a stock provided that the price to be obtained is not lower than the last consolidated sale if the last consolidated sale was a "plus" or "zero plus" tick, and is not lower than the last consolidated sale plus the minimum fractional change in the stock if the last consolidated sale was a "minus" or "zero minus" tick. A limited price order to sell "plus" would have the additional restriction of stating the lowest price at which it could be executed.

A market order to buy "minus" is a market order to buy a stated amount of a stock provided that the price to be obtained is not higher than the last consolidated sale if the last consolidated sale was a "minus" or "zero minus" tick, and is not higher than the last consolidated sale minus the minimum fractional change in the stock if the last consolidated sale was a "plus" or "zero plus" tick. A limited price order to buy "minus" would have the additional restriction of stating the highest price at which it could be executed.

Stop Order

A stop order to buy becomes a market order when a transaction in the security occurs at or above the stop price after the order is represented at the specialist's post. A stop order to sell becomes a market order when a transaction in the security occurs at or below the stop price after the order is represented at the specialist's post.

No specialist may execute a transaction for his own account in a stock in which he is registered that would put into effect any "stop" order he may hold, unless the Specialist guarantees that the stop order will be executed at the same price as the electing sale.

Stop Limit Order

A stop limit order to buy becomes a limit order executable at the limit price, or at a better

price, if obtainable, when a transaction in the security occurs at or above the stop price after the order is represented at the specialist's post. A stop limit order to sell becomes a limit order executable at the limit price or at a better price, if obtainable, when a transaction in the security occurs at or below the stop price after the order is represented at the specialist's post.

Activation (Electing Sale) Criteria

The activation of stop and stop limit orders for issues listed solely on the Exchange, where such issues are also traded on the NASDAQ/NMS or NASDAQ Small Cap market, shall include any reported regular way round-lot transaction on the NASDAQ market where the reported price is equal to or through the stop price for a buy stop price (for a buy stop, at or above the buy stop price, for a sell stop, at or below the sell stop price).

Amended.

May 9, 1989. April 20, 1998. January 14, 2004. January 24, 2005.

Chapter I-B – Business Hours

SEC. 1. Primary Session

Except as otherwise ordered by the Board of Governors, the Exchange shall be open on every business day, except Saturday, at 9:00 a.m.; at 9:30 a.m. official announcement shall be made that the Exchange is open for the transaction of business, and it shall so remain until 4:00 p.m.

Post-Primary Session (PPS)

SEC. 1(a). The Post Primary Session ("PPS") will operate from 4:00 to 4:15 p.m. for PPS designated orders pursuant to Chapter IIB, Section 3 (Post Primary Session).

GTX

SEC. 1(b). The after-hours trading of GTX Orders will operate from 4:15 to 5:00 pursuant to Chapter IIB, Section 2 (GTX Orders).

Suspension of Trading

The Chairman, Vice-Chairman and the trading Floor Governors acting by a majority shall have the power to suspend trading in any and all securities whenever in their opinion such suspension would be in the public interest, and shall have the power to continue or terminate such suspension. If it is anticipated that a suspension will continue for more than the day on which enacted, a special meeting of the Board of Governors comprising a quorum shall determine the appropriate action to be taken.

Amended.

October 1, 1974.

September 25, 1985.

May 9, 1989.

October 29, 1999.

SEC. 2. Dealings on Floor --Hours

Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business; and no member shall make any bid, offer or transaction upon the Floor, or issue a commitment to trade through ITS from the Floor before or after those hours, except that a specialist may issue and receive pre-opening notifications and pre-opening responses, pursuant to the provisions of the Plan relating to the Pre-Opening Application of the System, before the official opening of the Exchange.

••• Supplementary Material: ...

.10 ITS commitments may be issued or received for execution outside of the normal hours in which the Exchange is open for business solely for the purpose of fulfilling prior obligations or correcting errors.

Amended.

September 11, 1978. May 9, 1989.

SEC. 3. Dealings on Floor --Persons

Only members shall be permitted to make or accept bids and offers, consummate transactions or otherwise transact business on the Floor in any security admitted to dealings on the Exchange.

••• Supplementary Material: ...

.10 An employee of a member who has passed the prescribed Floor members' examination is permitted to make bids and offers and consummate transactions under the supervision of a member, provided such member has notified the Exchange that such employee has been authorized to so act. Such bids and offers and transactions effected under the supervision of a member are binding as if made by the member the employee is representing.

Amended.

September 11, 1978.

May 9, 1989.

May 14, 2012.

SEC. 4 Registration

(a) Each member, and member and/or participant organization shall register with the Exchange, on forms provided by the Financial Industry Regulatory Authority, Inc. ("FINRA") for registration with the Web Central Registration Depository ("Web CRD"). Registration forms shall include, information relating but not limited to, (i) the name and address of the individual member having qualified such member or participant organization and (ii) the name and address of the Member Organization Representative designated by such member or participant organization, Uniform Application for Securities Industry Registration or Transfer. Members, and member and/or participant organizations shall amend Form U4 not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

(b) Each member, and member and/or participant organization applicant that is a registered broker or dealer pursuant to Section 15 of the Securities Exchange Act of 1934 must use Web CRD to submit a Uniform Application for Broker-Dealer Registration, Form BD. Member and/or participant organizations

shall amend Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

Adopted.

October 1, 2007.

Amended.

May 14, 2012.

SEC. 5 Registration and Termination of Registered Persons

(a) Every registered representative of a member or participant organization must be registered with and approved by the Exchange. Members, and member and/or participant organizations must use Web CRD to file Form U4, Uniform Application for Securities Industry Registration or Transfer on behalf of registered representatives. Members, and member and/or participant organizations shall amend Form U4 not later than thirty (30) days after the filer knew of or should have known of the need for the amendment. No member or participant organization shall permit any natural person to conduct public business or duties customarily performed by a registered representative unless such person is registered as a registered representative.

(i) To satisfy the registration requirement of this Rule, a registered representative must be registered as a "BSE" registrant on Form U4.

(ii) For the purposes of this Rule, a person is deemed to be a registered representative if he or she maintains an effective Series 7 General Securities Registered Representative Examination registration or an equivalent of this examination/registration.

(b) Members, and member and/or participant organizations must use Web CRD to file Form U5, Uniform Termination Notice for Securities Industry Registration on behalf of the registered representative. Members, and member and/or participant organizations shall amend Form U5 filings not later than thirty (30) days after the filer knew of or should have known of the need of the amendment.

Adopted.

October 1, 2007.

SEC. 6 Fingerprinting

Members, and member and/or participant organizations are required to comply with Section 17(f) of the Securities Exchange Act of 1934 relating to the fingerprinting of employees. Applicants for a permit must also be fingerprinted. Such fingerprints must be filed with FINRA for identification and appropriate processing prior to any employee performing the functions listed in SEC Rule 17f-2.

Adopted.

October 1, 2007.

SEC. 7. Confidentiality

The Exchange shall use all confidential information gained during the performance of its self-regulatory obligations, including information relating to activities of Exchange members and BOX participants, solely for regulatory purposes and will use all reasonable measures to prevent disclosure of such information to any third party, other than to its employees, agents and subcontractors on a need-to-know basis. The

Exchange will take reasonable steps to advise its employees, agents and subcontractors of the confidential nature of the information.

Adopted.

January 14, 2004.

Amended.

October 1, 2007.

Chapter II – Dealings on the Exchange

SEC. 1. What May Be Dealt In

Only such securities, or the rights or warrants pertaining to such securities and securities on a "when issued" or "when distributed" basis or as shall have been approved by the Exchange for listing or admission to unlisted trading privileges shall be dealt in on the Exchange.

Amended.

May, 1989.

SEC. 2. Recording of Sales

Members on the trading floor are required to time-stamp all orders immediately upon receipt and to time-stamp the time of execution of all orders executed on the Exchange. It shall be the duty of the initiating member to see that all sales are transmitted promptly to the locations on the Floor designated for the recording of transactions. Failure to observe this requirement may be deemed by the Board to be an act detrimental to the interest or welfare of the Exchange.

••• Interpretations and Policies: ...

.10 An initiating member is one who causes the trade to occur.

Amended.

May 15, 1979. May 9, 1989.

SEC. 3. Bids and Offers Binding

All bids and offers made and accepted in accordance with the rules of the Exchange shall be binding; and all contracts thereby effected shall be subject to the exercise by the Board of Governors of their vested powers pursuant to the Constitution of the Exchange and of the rules pursuant thereto.

Amended.

May 9, 1989

SEC. 4. Units of Trading

The unit of trading in bonds shall be \$1000 in par value thereof.

The unit of trading in stocks shall be 100 shares, except that the Exchange may fix a smaller number of shares in any particular instance.

Bids or offers for less than the unit of trading shall specify the par value of the bonds or number of shares of stock covered by the bid or offer.

A customer's order in the unit of trading, or multiples thereof, in any security traded on the Exchange, the primary market for which is on another Exchange, may not be split into odd-lots. A member may not split any order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.

Amended.

May 9, 1989. August 26, 2005.

SEC. 5. "Next day" sales of Government bonds

As an exception to the "Regular Way" delivery plan, as hereinafter defined in Section 6(b) of this Chapter, United States Government bonds may be traded in for delivery on the first full business day following the day of the transaction, provided it is stated at the time of making the transaction that it is for "next day".

Amended.

April 7, 1978. May 9, 1989. April 7, 1995.

SEC. 6. Bids and Offers for Stocks

Delivery dates on Exchange contracts are as follow:

- (a) "Cash", i.e., for delivery upon the day of contract.
- (b) "Regular Way", i.e., for delivery upon the third full business day following the contract.
- (c) "Buyer's" or "Seller's" Options for not less than four business days nor more than 180 days following the day of the contract; except that the Exchange may provide otherwise in specific issues of securities or class of securities.
- (d) "Next Day", i.e., for delivery on the next business day following the day of the contract. For purposes hereof, "next day" may also include deliveries within the time specified in the contract which time may include either the first or second business day following the day of the contract.
- (e) "When Issued", i.e., for delivery when issued, as determined by the primary market.
- (f) "When Distributed", i.e., for delivery when distributed, as determined by the primary market.

Bids and offers under each of these specifications may be made simultaneously, as being essentially different propositions, and may be separately accepted without precedence of one over another.

Bids and offers made without stated conditions shall be considered to be "regular way" contracts.

Bids for and offers of stock in lots greater than 100 shares, unless otherwise specified, shall always mean "in 100 share lots".

A member offering to buy or sell any part of 100 shares or \$1,000 principal amount of bonds shall be understood to have offered to trade in 100 shares or \$1,000 principal amount of bonds or any part thereof.

An odd-lot transaction between others shall cut off his bid or offer for odd lots only. A purchase or sale of any part of his stock necessitates the renewal of his bid or offer.

Below best bid-above best offer

When a bid is clearly established, no bid or offer at a lower price shall be made.

When an offer is clearly established, no offer or bid at a higher price shall be made.

Precedence of highest bid and lowest offer

The highest bid and the lowest offer shall have precedence in all cases.

Priority and precedence

Where bids are made at the same price, the priority and precedence shall be determined as follows:

Priority of first bid

(1) When a bid is clearly established as the first made at a particular price, the maker shall be entitled to priority and shall have precedence on the next sale at that price, up to the number of shares of stock or principal amount of bonds specified in the bid, irrespective of the number of shares of stock or principal amount of bonds specified in such bid.

Precedence of bids equaling or exceeding amount offered

(2) When no bid is entitled to priority under paragraph (1) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) all bids for a number of shares of stock or principal amount of bonds equaling or exceeding the number of shares of stock or principal amount of bonds in the offer or balance, shall be on a parity and entitled to precedence over bids for less than the number of shares of stock or principal amount of bonds in such offer or balance, subject to the condition that if it is possible to determine clearly the order of time in which the bids so entitled to precedence were made, such bids shall be filled in that order.

Precedence of bids for amounts less than amount offered

(3) When no bid is entitled to priority under paragraph (1) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) and no bid has been made for a number of shares of stock or principal amount of bonds equaling or exceeding the number of shares of stock or principal amount of bonds in the offer or balance, the bid for the largest number of shares of stock or greatest principal amount of bonds shall have precedence, subject to the condition that if two or more such bids for the same number of shares of stock or principal amount of bonds have been made, and it is possible to determine clearly the order of time in which they were made, such bids shall be filled in that order.

Simultaneous bids

(4) When bids are made simultaneously, or when it is impossible to determine clearly the order of time in which they were made, all such bids shall be on a parity subject only to precedence based on the size of the bid under the provisions of paragraphs (2) and (3) hereof.

Sale removes bids from floor

(5) A sale shall remove all bids from the Floor except that if the number of shares of stock or principal amount of bonds offered exceeds the number of shares or principal amount specified in the bid

having priority or precedence, a sale of the unfilled balance to other bidders shall be governed by the provisions of these Rules as though no sales had been made to the bidders having priority or precedence.

Subsequent bids

(6) After bids have been removed from the Floor under the provisions of paragraph (5) hereof, priority and precedence shall be determined, in accordance with these Rules, by subsequent bids.

Bids in called securities

(7) Notwithstanding the provisions of this Rule the Exchange may, when all or any part of an issue of securities is called for redemption, require that all bids at the same price in the called securities shall be on a parity and that no bidder shall be entitled to more than the amount of his bid.

Transfer of priority, parity and precedence

(8) A bid may be transferred from one member to another and, so long as that bid is continued for the same account, it shall retain the same priority, parity and precedence it had at the time it was transferred.

Precedence of lowest offer

The lowest offer shall have precedence in all cases.

Offers at same price

Where offers are at the same price the priority, parity and precedence shall be determined in the same manner as specified in the case of bids. An offer may be transferred from one member to another and, so long as that offer is continued for the same account, it shall retain the same priority, parity and precedence it had at the time it was transferred.

Amended.

May 9, 1989.

April 7, 1995.

SEC. 7.

Dissemination of Quotations

All bids made and all offers made shall be in accordance with Rule 11Ac1-1 of the Securities Exchange Act of 1934 and amendments thereto which governs the dissemination of quotations for reported securities. For ease of reference, the complete text of SEC Rule 11Ac1-1 is reproduced below.

The following interpretations and policies pertain to all issues for which a specialist has been assigned and as to which last sale information is reported on the Consolidated Transaction Reporting System.

••• Interpretations and Policies: ...

.01 Specialists shall input their current markets and sizes to the Quotation System through the key terminal at the post. These quotations shall be firm as to both price and size unless exempted under one of the conditions specified hereinafter in paragraphs .05 to .08.

.02 A member acting as a Floor broker or an Alternate Specialist shall:

- (i) notify the specialist of his bid and/or offer and the quotation size that he wishes to disseminate;
- (ii) promptly notify the specialist whenever his published bid, published offer or published quotation size is to be revised; and
- (iii) promptly notify the specialist whenever his published bid and/or published offer is to be cancelled or withdrawn.

.03 A member who verbally communicates a bid and/or offer to the specialist must promptly provide the specialist with a written order unless such member elects to retain possession of the order while remaining at the specialist's post.

.04 A member who wishes to cancel an order must provide the specialist with a copy of the order which bears the notation 'cancel'.

.05 Quotation sizes, unless otherwise specified shall be assumed to be 100 shares. Where bids or offers are made at the same price the aggregate quotation size of such equal bids or offers shall be input into the Quotation System. Such aggregate sizes shall remain firm until withdrawn, unless exempted under one of the conditions specified in this Section.

.06 In instances where a cross of block size on the Boston Stock Exchange or other market against which orders are being protected takes place outside the current Boston Stock Exchange quotation, all effective bids or offers limited to the block price or better will be executed at the more favorable block price rather than at the limit price of the affected orders.

.07 In instances where any other transaction of block size (i.e., in which a broker represents an order of block size on one side of the transaction only) on the Boston Stock Exchange or other market against which orders are being protected takes place outside the current Boston Stock Exchange quotation, all effective bids or offers will be subject to the Intermarket Trading System Trade Through Rule.

.08 No offer shall be made or transaction effected that would result in a violation of applicable short sale rule, as herein contained in Section 16.

.09 No specialist, alternate specialist or Floor broker shall be obligated to effect a transaction for any security as provided for in this Section if:

(A) before an order sought to be executed is presented, such specialist, alternate specialist, or Floor broker has input a revised bid, offer, or quotation size into the Quotation System or

(B) at the same time an order sought to be executed is presented, such specialist, alternate specialist, or Floor broker is in the process of effecting a transaction in such security and, immediately after the completion of such transaction, such specialist, alternate specialist, or Floor broker inputs a revised bid, offer, or quotation size into the Quotation System.

.10 In the event of unusual market conditions as determined by two Floor Officials, quotations in a particular issue will not be subject to firmness provided that the Exchange has input quotations into the Quotation System with non-firm condition appended.

.11 Prior to making a determination that a particular security or securities be exempted from the firmness requirement the Floor Officials shall consider:

- (1) the level of trading activity in existence at the time on the Boston Stock Exchange;

(2) the level of trading activity in existence at the time at other Exchanges on which the particular security is traded;

(3) the condition of the Exchange's Quotation Dissemination System.

After an exemption from the firmness requirement is granted, the Floor Officials or authorized representatives from the Exchange are required to monitor the activity or conditions which form the basis for such exemption and when such conditions no longer exist, shall immediately notify the specialist whose quotations thereafter shall be subject to the firmness requirement of this Rule.

Amended.

May 9, 1989.

SEC. 8.

Excessive Trading by Members

No member, allied-member or member-organization shall effect on the Exchange purchases or sales for any account in which such member, allied-member or member-organization is directly or indirectly interested, which purchases or sales are excessive in view of the financial resources of such member, allied-member or member-organization or in view of the market for such security.

Excessive trading in customers' accounts

No member, allied-member or member-organization shall execute or cause to be executed on the Exchange purchases or sales of any security for any account with respect to which such member, allied-member or member-organization is vested with any discretionary power, which purchases or sales are excessive in size or frequency in view of the financial resources in such account.

SEC. 9.

Trading for Joint Account

No member while on the Floor, shall, without the prior approval of the Exchange initiate the purchase or sale on the Exchange of any security classified for trading as a stock by the Exchange for any account in which he, or the member-organization of which he is a partner or stockholder or any partner or stockholder of such member-organization, is directly or indirectly interested with any person other than such member-organization or partner or stockholder of such member-organization.

The provisions of the above paragraph shall not apply to any purchase or sale (1) by any member or allied-member for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions, or (2) by an Odd-Lot Dealer or a dealer-specialist for any joint account in which he is expressly permitted to have an interest or participation.

A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Section.

Joint accounts approval by Exchange

(a) No member, allied-member or member-organization shall directly or indirectly, hold any interest or participation in any joint account for buying or selling any security on the Exchange, unless such joint account is approved by the Exchange.

A request to form a joint account shall be filed with the Exchange and shall include the following:

- (1) Names of persons participating in such account and their respective interests therein.
- (2) Purpose of such account.
- (3) Amount of financial commitments in such account.
- (4) A copy of any written agreement or instrument in writing relating to such account.
- (5) A detailed explanation of the manner in which business will be conducted and include

individual responsibilities. For example, stocks to be handled by each participant, account changes, plus any additional information as determined by the Exchange. Upon approval, each dealer-specialist must remain active on the trading Floor and be registered in the minimum number of stocks required by the Exchange.

Amended.

September 11, 1978.

May 9, 1989.

SEC. 10.

Discretionary Transactions

No member, while on the Floor, shall execute or cause to be executed on the Exchange, or through ITS or any other Application of the System, any transactions for the purchase or sale of any security classified for trading as a stock by the Exchange with respect to which transaction such member is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale.

Exceptions thereto

The provisions of the paragraph above shall not apply (1) to any discretionary transactions executed by such member for any bona fide cash investment account or for the account of any person, who due to illness, absence or similar circumstances, is actually unable to effect transactions for his own account; provided that such member shall keep available for inspection a detailed record of any such transaction and the grounds for exercising discretion and shall file with the Exchange quarter-annually within 10 days of the end of each calendar quarter a report covering the preceding quarterly period showing the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales and the grounds for exercising such discretion with respect to each account, or (2) to any transaction permitted under Section 9 (a) and (b) of this Chapter, for any account in which the member executing such transaction is directly or indirectly interested.

Amended.

September 11, 1978.

SEC. 11.

Trading While Acting as a Broker as to Market Orders

No member shall (1) personally buy or initiate the purchase of any security on the Exchange for his own

account or for any account in which he, the member-organization of which he is a partner or stockholder, or any partner or stockholder of such member-organization, is directly or indirectly interested, while such member personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted market order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security on the Exchange for any such account, while he personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted market order to sell such security in the unit of trading for a customer.

A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Section.

As to limited orders

No member shall (1) personally buy or initiate the purchase of any security on the Exchange for any such account, at or below the price at which he personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted limited price order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security on the Exchange for any such account at or above the price at which he personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted limited price order to sell such security in the unit of trading for a customer.

Where not applicable

The provisions of the above two paragraphs shall not apply (1) to any purchase or sale of any security in an amount of less than the unit of trading made by an Odd-Lot Dealer to offset odd-lot orders of customers, (2) to any purchase or sale of any security, delivery of which is to be upon a day other than the day of delivery provided in such unexecuted market or limited price order, or

(3) to transactions where a member is compelled to supply or take on his own account the securities named in the order in accordance with Chapter XVII of the Rules.

Amended.

September 11, 1978.

SEC. 12.

Successive Transactions

No member, allied-member or member-organization shall execute or cause to be executed on the Exchange the purchase of any security at successively higher prices or the sale of any security at successively lower prices for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security, or for the purpose of making a price which does not reflect the true state of the market in such security.

SEC. 13.

Trading Against Privileges

No member while on the Floor shall initiate the purchase or sale on the Exchange for his own account or any account in which he, or the member-organization of which he is a partner or stockholder, or any partner or stockholder of such member-organization, is directly or indirectly interested, or any security classified for trading as a stock by the Exchange, in which he holds or has granted any put, call, straddle,

or option, or in which he has knowledge that the member-organization of which he is a partner or stockholder or any partner or stockholder of such member-organization, holds or has granted any put, call, straddle or option, unless such option is issued by the Options Clearing Corporation and the transaction in which the option is acquired or granted is publicly reported. All option transactions effected pursuant to the preceding sentence must be reported to the Exchange in such form and at such times as the Exchange requires.

A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Section.

Amended.

February 28, 1973. August 24, 1973. February 16, 1977. September 11, 1978.

SEC. 14.

Unbusinesslike Dealing

Reckless or unbusinesslike dealing is contrary to just and equitable principles of trade, and the offending member or allied-member may be subject to the penalties provided in the By-Laws.

Amended.

May 19, 1987. May 14, 2012.

SEC. 15.

Record of Orders from Offices to Floor

Every member, allied-member or member-organization shall preserve for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission a record of every order transmitted by such member, allied-member or member-organization to the Floor of the Exchange, which record shall include the name and amount of the security, the terms of the order, and the time when such order was so transmitted.

Account Identification Codes

The following account identification codes are required:

	Program Trade Index Arbitrage	Program Trade Non-Index Arbitrage	Competing Mkt. Mkr.	Short Exempt	Competing Mkt. Mkr. Short Exempt	All Other Orders
Member/member organization:						
--Proprietary	D	C	O	E	L	P
--As agent for other member	M	N	T	F	X	W
Customer:						
--Individual(80A)	J	K	—	H	—	I
--Other Agency	U	Y	R	B	Z	A

Definitions:

Member/member organization, proprietary: a member/member organization trading for its own account.

Member/member organization, as agent for other member: a member/member organization trading as agent for the account of another member/member organization.

Program Trade, Index, Arbitrage: the purchase or sale of “baskets” or groups of stocks in conjunction with the intended purchase or sale of one or more cash-settled options or futures contracts in an attempt to profit by the price difference, as defined in NYSE Rule 80A.

Program Trade, Non-Index Arbitrage: a trading strategy involving the related purchase or sale of a group of 15 or more stocks having a total market value of \$1 million or more, as defined in NYSE Rule 80A.

Competing Market Maker: any person acting as a market maker, as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, in an exchange-listed security. A person acting solely in the capacity of a block positioner would not be considered a competing market maker.

Proprietary, Competing Market Maker: a member or member organization trading for its own competing market maker account.

As Agent for Other Member, Competing Market Maker: a member or member organization trading as agent for another member’s competing market maker account.

Other Agency, Competing Market Maker: a member or member organization trading as agent for the proprietary account for a non-member competing market maker.

Individual (80A): an account for an individual as defined by NYSE Rule 80A.

Other Agency: any other non-member or non-member organization.

Short Exempt: short sale transactions that are exempt from the provisions of SEC Rule 10a-1.

Record of orders to members by other than member-organization

Every member shall preserve for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission a record of every order originating on the Floor of the Exchange given to such member for execution and of every commitment or obligation to trade issued from the Floor through ITS or any other Application of the System, and of every order originating off the Floor, transmitted by any person other than a member, allied-member or member-organization, to such member on the Floor, which record shall include the name and amount of the security, the terms of the order, and the time when such order was so given or transmitted.

Record of time on executions and changes

Whenever a cancellation is entered with respect to an order or commitment or obligation to trade, or a report of an execution of an order or commitment or obligation to trade is received, there shall be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission, in addition to the record required by the foregoing paragraph, a record of the cancellation or of the report, which shall include the time of entry.

Open Order Confirmation

All orders entrusted to a specialist will be eligible for execution for as long as they remain open until cancelled by the entering firm or floor broker. Any entering firm or introducing floor broker may confirm the status of any open order at any time.

All open orders confirmed or renewed in the manner of their original entry, including partial executions or reductions in shares, are entitled to retain the same order of priority on the specialist's book. If the entering firm and/or the floor broker fails to correct any open orders that are in error and these opens orders are executed according to their terms, the executions must be accepted by the entering firm or introducing floor broker.

Amended.

August 29, 1978.

September 11, 1978.

January 28, 1985.

May 19, 1987.

September 15, 1993.

November 18, 1993.

July 7, 2005.

RULE, BSE, ¶2029, SEC. 16. Short Sales

SEC. 16.

Short Sales

(a) No member or member organization shall, for his or its own account or for the account of any other person, effect on the Exchange a short sale (as defined in Section 17 CFR Part §242.200 of the Securities Exchange Act) of any security registered on, or admitted to unlisted trading privileges on the Exchange if trades in such security are reported pursuant to the consolidated transaction reporting system operated in accordance with a plan declared effective under Securities Exchange Act Rule 17a-15 (a "consolidated system") and information as to such trades is made available in accordance with such plan on a real time basis to vendors of market transaction information; (i) below the price at which the last sale thereof, regular way, was reported in such consolidated system, or (ii) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was reported in a consolidated system.

(b) In determining the price at which a short sale may be effected after a security goes ex-dividend, ex-right or ex-any other distribution, all sale prices prior to the "ex" date may be reduced by the value of such distribution.

(c) No member or member organization shall, for his or its own account or for the account of any other person, effect on the Exchange a short sale of any security not covered by paragraph a) of this rule (if all trades in such security are exempted from reporting pursuant to a consolidated system) (i) below the price at which the last sale thereof, regular way, was effected on the Exchange, or (ii) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was effected on the Exchange.

(d) (Reserved)

(e) (Reserved)

(f) The provisions of paragraphs a) and c) hereof shall not apply to:

- (1) Any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as possible without undue inconvenience or expense;
- (2) Any member or member organization in respect of a sale, for an account in which he or it has no interest, pursuant to a sell order which is marked "long";
- (3) Any sale by a registered odd lot dealer on the Exchange to offset odd lot orders of customers;
- (4) Any sale by a registered odd lot dealer to liquidate a long position which is less than a round lot, provided such sale does not change the position of such dealer by more than the unit of trading;
- (5) Any sale of a security covered by paragraph (a) of this rule (except a sale to a stabilizing bid complying with Securities Exchange Act Rule 242.104) by a registered dealer-specialist or market-maker registered with the Exchange in such security for his or its own account;
 - (a) effected at a price equal to or above the last sale reported for such security in a consolidated system, or
 - (b) effected at a price equal to the most recent offer communicated for the security by such registered specialist, registered exchange market maker or third market maker to an exchange or a national securities association pursuant to 240.11Ac1-1, if such offer, when communicated, was equal to or above the last sale, regular way, reported for such security pursuant to an effective transaction reporting plan.
- (6) Any sale of a security covered by paragraph c) hereof on the Exchange (except a sale to a stabilizing bid complying with Securities Exchange Act Rule 242.104) effected with the approval of the Exchange, which is necessary to equalize the price of such security thereon with the current price of such security on another national securities exchange which is the principal exchange market for such security;
- (7) Any sale of a security for a special arbitrage account by a person who then owns another security by virtue of which he is, or presently will be, entitled to acquire an equivalent number of securities of the same class of the securities sold, provided such sale, or the purchase which such sale offsets, is effected for the bona fide purpose of profiting from a current difference between the price of the security sold and the security owned and that such right of acquisition was originally attached to or represented by another security or was issued to all holders of any such class of securities of the issuer;
- (8) Any sale of a security on the Exchange effected for a special international arbitrage account for the bona fide purpose of profiting from a current difference between the price of such security on a securities market not within or subject to the jurisdiction of the United States and on a securities market subject to the jurisdiction of the United States, provided the seller, at the time of such sale knows, or by virtue of information currently received, has reasonable grounds to believe that an offer enabling him to cover such sale is then available to him in such foreign securities market and intends to accept such offer immediately; or
- (9) (Reserved)
- (10) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment;
- (11) Any sale of a security covered by paragraph (a) of this section (except a sale to a stabilizing bid complying with 242.104) by any broker or dealer, for his own account or for the account of any other person, effected at a price equal to the most recent offer communicated by such broker or dealer to an exchange or association pursuant to 240.11Ac1-1 in an amount less than or equal to the quotation size associated with such offer, if such offer, when communicated, was (i) above the price at which the last sale, regular way, for such security was reported pursuant to an effective transaction reporting plan; or (ii) at such last sale price, if such last sale price is above the next preceding different price at which a sale of

such security, regular way, was reported pursuant to an effective transaction reporting plan.

(12) This section shall not prohibit any transaction or transactions which the Commission, upon written request or upon its own motion or order, exempts, either unconditionally or on specified terms and conditions.

For the purpose of subparagraph (8) hereof a depository receipt of a security shall be deemed to be the same security as the security represented by such receipt.

*****Commentary**

.01 No member or member organization shall effect on the Exchange a short sale that is not in compliance with the Securities and Exchange Commission's rules and regulations regarding short sales, including but not limited to, rules and regulations in effect and provided for in Securities Exchange Act Release No. 50103 (July 28, 2004), 69 FR 48008 (August 6, 2004) ("Reg SHO").

Amended.

July 12, 1976.

May 27, 1981.

December 22, 2004.

SEC. 17.

Stop Orders

In order to reach stop orders, unless otherwise agreed upon, there must have been a sale of one hundred shares at the fixed price, or where a smaller unit has been fixed by the Board of Governors a sale of such unit. In the case where the unit is 100 shares, however, fifty-share lots, or less, will be reached by a sale of fifty or one hundred shares.

It being understood, however, that a bid or offer making such sale possible shall operate to put the stop in force.

Quoting stopped stocks

No quotations on securities, which have been stopped, will be permitted, if objection is raised by any member.

SEC. 18.

Orders to Buy and Sell the Same Security

When a member has an order to buy and an order to sell the same security, he shall audibly offer such security, if bonds, at 1/8 of 1%, and if stocks, at the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41), higher than his bid before making a transaction with himself.

When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are for 5,000 shares or more and are for accounts other than the accounts of the executing member, the member may cross such orders at a price which is at or within the prevailing bid or offer. The member's bid or offer shall be entitled to priority at such cross price, provided that the proposed cross transaction is of a size greater than the aggregate size of all of the interest communicated on the Exchange floor at that price. Another member may trade with either the bid or offer side of the presented

cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction.

Amended.

October 18, 1989.

September 8, 2000.

August 19, 2004.

SEC. 19.

Wide Market

Members receiving orders to buy or sell any security in which at the time there is only a wide market, shall exercise due diligence in discovering the fair and proper market before executing such orders, and the Exchange may determine whether such diligence has been exercised in any particular instance, the purpose being that no advantage shall be taken of an absence of orders.

SEC. 20.

Undisclosed Compensation

No member or allied-member while acting as agent in the purchase or sale of securities on the Exchange shall receive any compensation for the service other than a commission, without disclosure to the customer.

SEC. 21.

Fictitious Transactions

No member, member organization allied-member, or person associated with a member or member organization shall,

(a) effect any transaction which involves no change in the beneficial ownership, or

(b) enter an order or orders for the purchase of any security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of such security, has been or will be entered by or for the same or different parties, or

(c) enter an order or orders for the sale of any security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

Amended.

October 18, 1989.

SEC. 22.

Procedures for Handling Market-On-Close ("MOC") Orders

The following limitations shall apply to Market-on-Close ("MOC") orders.

(a) No MOC orders may be entered after 3:40 p.m. in any stock. Floor brokers representing such orders must indicate their MOC interest to the specialist by 3:40 p.m.

(b) No cancellations of any MOC orders are permitted after 3:40 p.m. in any stock.

(c)(i) As soon as practicable after 3:40 p.m., a publication of MOC order imbalances of 50,000 shares or more in New York Stock Exchange listed securities will be published. As soon as practicable after 3:50 p.m., an additional publication will be made for any stock which had an imbalance publication at 3:40p.m. If the imbalance is 50,000 shares or more, the size and side of the imbalance will be published. If the imbalance is 50,000 shares or less, a "no imbalance" status will be published, or the size and side of the imbalance may be published with floor official approval.

(ii) As soon as practicable after 3:40 p.m., a single publication of MOC order imbalances of 25,000 shares or more in American Stock Exchange listed securities will be published.

(d) After 3:40 p.m., MOC orders may only be entered to offset published imbalances.

(e) All MOC index arbitrage orders to buy (sell) to establish or increase a position must be canceled if NYSE Rule 80A ("Rule 80A") subsequently goes into effect because of significant upward (downward) market movement, regardless of the time Rule 80A goes into effect. If Rule 80A goes into effect prior to 3:40 p.m., the MOC order may be re-entered with the instruction "buy minus" ("sell plus"). If Rule 80A goes into effect after 3:40 p.m. and there is a published imbalance in the subject stock, the MOC order may be re-entered with the instruction "buy minus" ("sell plus") to offset the imbalance.

Adopted.

March 17, 1994.

Amended.

June 1, 1995.

July 25, 1996.

October 9, 1998.

SEC. 23.

Dealing on Other Exchanges, or Publicly Outside the Exchange

Transactions Off the Floor

Rescinded.

June 1, 2000.

SEC. 24.

Report of Options Relating to Listed Securities

Each member, allied-member or member-organization shall report to the Exchange such information as may be required with respect to any substantial option relating to listed securities in which such member, allied-member or member-organization is directly or indirectly interested or of which such member, allied-member or member-organization has knowledge by reason of transactions executed by or through such member, allied-member or member-organization.

The Exchange may disapprove of the connection of any member, allied-member or member-organization with any such option which it shall determine to be contrary to the best interest or welfare of the Exchange or to be likely to create prices which will not fairly reflect market values.

SEC. 25.

Violation of Securities Exchange Act of 1934

Any member, allied-member or associate member who wilfully violates any provision of the Securities Exchange Act of 1934, or any rule or regulation thereunder, shall be deemed guilty of an act inconsistent with just and equitable principles of trade, and the offending member, allied-member or associate member shall be subject to the penalties provided in the By-Laws.

Amended.

May 1, 1975.

May 19, 1987.

May 14, 2012.

SEC. 26.

Anti-Manipulative Provisions

No member, member organization, allied member or person associated with a member or member organization shall execute or cause to be executed, or participate in an account for which there is executed, a purchase of any listed security at successively higher prices, or a sale of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

Adopted.

November 5, 1975.

Amended.

May 19, 1987.

SEC. 27. No member, member organization, allied member or person associated with a member or member organization shall directly or indirectly participate in or have any interest in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

For the purpose of this rule:

(a) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of any security eligible for trading on the Exchange by means of options or otherwise and for the purpose of making a profit thereby shall be deemed a manipulative operation.

(b) The soliciting of subscriptions to, or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

(c) The carrying on margin of a position in such securities or the advancing of credit through loans to such

pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

Adopted.

November 5, 1975.

SEC. 28. No member, member organization, allied member or person associated with a member or member organization shall circulate in any manner rumors of a sensational character which he knows or has reasonable grounds for believing are false or misleading or which might reasonably be expected to affect market conditions on the Exchange. Report shall be made promptly to the Exchange of any circumstances which give occasion to believe that any rumor or unsubstantiated information might have been originated or circulated for the purpose of influencing the price of a security eligible for trading on the Exchange.

Adopted.

November 5, 1975.

SEC. 29. An offer to sell coupled with an offer to buy back at the same or an advanced price, or the reverse, is a prearranged trade and is prohibited. This rule applies both to transactions in the unit of trading and in lesser or greater amounts.

Adopted.

November 5, 1975.

SEC. 30. No Specialist may execute a transaction for his own account in a stock in which he is registered that would put into effect any "stop" order he may hold, unless the Specialist guarantees that the stop order will be executed at the same price as the electing sale.

Adopted.

November 5, 1975.

SEC. 31. No member shall offer publicly on the Floor:

- (a) To buy or sell securities "at the close";
- (b) To buy or sell dividends;
- (c) To bet on the course of the market.

Adopted.

November 5, 1975.

SEC. 32.

Orders Subject to Section 11(a) of the Securities Exchange Act of 1934

(a) No member or member organization shall effect any transaction in any security on the Exchange for his or its account, the account of an associated person, or an account with respect to which the member, member organization or an associated person thereof exercises investment discretion. For the purposes of this Rule, the term "associated person" has the meaning set forth in Section 3(a)(21) of the Securities Exchange Act of 1934 (the Act).

(b) The provisions of paragraph (a) of this Rule shall not apply to transactions effected pursuant to the exemptions contained in Section 11 (a)(1)(A) through (H) of the Act, or a rule adopted thereunder.

(c) No bid or offer made by a member on an order for the account of such member or member organization subject to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder shall be entitled to priority over, parity with or precedence based on size over any order which is for the account of a person who is not a member, member organization or an associated person thereof.

(d) Immediately before executing an order pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder, a member (other than the specialist in such security) shall clearly announce or otherwise indicate to the specialist and to other members then present in the trading crowd in such security that he is representing an order to be executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder.

(e) Every order subject to the provisions of Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder shall bear an identifying notation on the board slip that will enable the executing member to disclose to other members that the order is subject to those provisions.

Amended.

March 18, 1980.

SEC. 33

Execution Guarantee

(a) The Execution Guarantee shall be available to each member firm in all issues traded through the Intermarket Trading System (ITS) and registered to a specialist on the Exchange. Specialists must accept and guarantee execution on all agency market and marketable limit orders on the basis of the NBBO bid on a sell order or the NBBO offer on a buy order at the time an order is received. Sell orders will be satisfied up to the size of the lesser of the NBBO bid or 1299 shares; buy orders up to the lesser of the NBBO offer or 1299 shares. No portion of an order larger than 1299 shares is subject to this public agency guarantee.

(b) Subject to the requirements of the short sale rule, all agency market orders must be filled on the basis of the Consolidated Quotation System best bid or better on a sell order, or the Consolidated Quotation System best offer or better on a buy order.

(c) All agency limit orders will be filled if one of the following conditions occur:

(1) the bid or offering at the limit price has been exhausted in the primary market as defined in the CTA Plan;

(2) there has been a price penetration of the limit in the primary market; or

(3) the issue is trading on the primary market at the limit price unless it can be demonstrated that such order would not have been executed if it had been transmitted to the primary market, or the broker and specialist agree to a specific volume-related or other criteria requiring a fill.

••• Interpretations and Policies: ...

.01 Pre-opening orders must be accepted and filled at the primary market opening

.02 In trading halt situations occurring on the primary market, orders will be executed based on the reopening price.

.03 Simultaneous orders must be executed pursuant to the provisions of the Rule up to an accumulated size equal to the prevailing NBBO displayed size on receipt of the order.

.04 For purposes of limit order execution, size will be governed by that displayed on the Consolidated Quotation System ("CQS").

.05 If the displayed quotations of the Consolidated Quotation System can be demonstrated to be in error or a market center is experiencing system problems which result in an invalid quotation in CQS, an adjustment in execution price may be allowed as prescribed in .06.

.06 In unusual trading situations or in the event of an equipment failure, a specialist or floor broker may seek relief from the requirements of this rule from two out of three Floor Officials (floor members of the Market Performance Committee or Board of Governors).

Adopted.

July 15, 1980.

Amended.

March 1, 1982. October 14, 1982. August 1, 1983. August 13, 1985.

May 12, 1997.

December 21, 2004.

SEC. 34A

Trading Halts Due to Extraordinary Market Volatility

(a) Trading in stocks shall halt on the Exchange and shall not reopen for the time periods described in this paragraph (a) if the Dow Jones Industrial Average SM⁺

("DJIA") reaches Level 1 below its closing value on the previous trading day:

(i) before 2:00 p.m. EST for one hour;

(ii) at or after 2:00 p.m. EST, but before 2:30 p.m. EST, for 30 minutes.

If the DJIA reaches Level 1 below its closing value on the previous trading day at or after 2:30 p.m. EST, trading shall continue on the Exchange until the close, unless the DJIA reaches Level 2 below its closing value on the previous trading day, at which time trading shall be halted for the remainder of the day.

(b) Trading in stocks shall halt on the Exchange and shall not reopen for the time periods described in this paragraph (b) if the DJIA reaches Level 2 below its closing value on the previous trading day:

(i) before 1:00 p.m. EST for two hours;

(ii) at or after 1:00 p.m. EST, but before 2:00 p.m. EST, for one hour;

(iii) at or after 2:00 p.m. EST for the remainder of the day.

(c) If the DJIA reaches Level 3 below its closing value on the previous trading day, trading in stocks shall halt on the Exchange and shall not reopen for the remainder of the day.

••• Supplementary Material: ...

.10 Levels 1, 2 and 3 shall be calculated at the beginning of each calendar quarter, using the average closing value of the DJIA for the month prior to the beginning of the quarter. Level 1 shall be 10% of such average closing value calculation; Level 2 shall be 20% of such average closing value calculation; and Level 3 shall be 30% of such average closing value calculation. Each level shall be rounded to the nearest fifty points. The values of Levels 1, 2 and 3 shall remain in effect until the next calculation.

.20 The restrictions in this Rule shall apply whenever the Dow Jones Industrial Average ("DJIA") reaches the trigger values, notwithstanding the fact that, at any given time, the calculation of the value of the average may be based on the prices of less than all of the stocks included in the average.

.30 The reopening of trading following a trading halt under this Rule shall be conducted pursuant to procedures adopted by the Exchange and communicated by notice to its members and member organizations.

.40 Nothing in this Rule should be construed to limit the ability of the Exchange to otherwise halt or suspend the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

Adopted.

December 14, 1988.

Amended.

July 19, 1996.

January 31, 1997.

January 26, 1998.

April 15, 1998.

SEC. 34B.

Limitations on Trading During Significant Market Moves

(a) All index arbitrage orders to sell any component stock of the S&P 500 Stock Price Index²⁻ must be entered with the instruction "sell plus" on any trading day when the Dow Jones Industrial Average declines below its closing value on the previous trading day by at least the "two-percent value" as calculated below. This index arbitrage order entry requirement shall remain in effect for the remainder of the trading day. However, the index arbitrage order entry requirement pursuant to this paragraph (a) shall be removed if the DJIA subsequently reaches a value below its closing value on the previous trading day that is a decline equal to the "one-percent value" or less as calculated below.

(b) All index arbitrage orders to buy any component stock of the S&P 500 Stock Price Index must be entered with the instruction "buy minus" on any trading day when the DJIA advances above its closing value on the previous trading day by at least the "two-percent value" as calculated below. This index arbitrage order entry requirement shall remain in effect for the remainder of the trading day. However, the index arbitrage order entry requirement pursuant to this paragraph (b) shall be removed if the DJIA subsequently reaches a value above its closing value on the previous trading day that is an advance equal to the "one-percent value" or less as calculated below.

(c) The principles in paragraphs (a) and (b) shall govern the imposition and removal of the index arbitrage order requirements as to all subsequent movements in the DJIA on that day.

••• **Supplementary Material:** ...

.10 The "two-percent value" shall be calculated at the beginning of each calendar quarter and shall be two-percent (2.0%), rounded down to the nearest ten points, of the average closing value of the DJIA for the last month of the previous quarter. The "one-percent value" shall be one-half, rounded down to the nearest ten points, of the "two percent value".

.20 The index arbitrage order entry restrictions shall not apply to index arbitrage market-at-the-close orders in liquidation of previously established stock positions against derivative index products entered on the last business day prior to the expiration or settlement of such derivative index products. Such orders shall be entered pursuant to each procedures as the Exchange may from time to time prescribe.

.30 All orders containing the instruction "buy minus" or "sell plus" shall be executed as provided in Chapter I, Section 3.

.40 Definitions. (a) For purposes of this Rule, "index arbitrage" means a trading strategy in which pricing is based on discrepancies between a "basket" or group of stocks and the derivative index product (i.e., a basis trade) involving the purchase or sale of a "basket" or group of stocks in conjunction with the purchase or sale, or intended purchase or sale, of one or more derivative index products in an attempt to profit by the price difference between the "basket" or group of stocks and the derivative index products. While the purchase or sale of the stocks must be in conjunction with the purchase or sale of derivative index products, the transactions need not be executed contemporaneously to be considered index arbitrage. The term "derivative index products" refers to cash-settled options or futures contracts on index stock groups, and options on any such futures contracts.

(b) "Program trading means either (A) index arbitrage or (B) any trading strategy involving the related purchase or sale of a "basket" or group of 15 or more stocks having a total market value of \$1 million or more. Program trading includes the purchases or sales of stocks that are part of a coordinated trading strategy, even if the purchases or sales are neither entered or executed contemporaneously, nor part of a trading strategy involving options or futures contracts on an index stock group, or options on any such futures contracts, or otherwise relating to a stock market index.

(c) "Account of an individual investor" means an account covered by Section 11(a)(1)(E) of the Securities Exchange Act of 1934.

Adopted.

July 19, 1996.

Amended.

March 25, 1999.

SEC. 35

Stop Order Bans

(a). Whenever the primary market for a stock admitted to dealings on the Boston Stock Exchange institutes a stop and stop limit order ban, the Exchange will also ban such orders in the stock until such time as the ban in the primary market is lifted.

••• **Supplementary Material:** ...

Stop Order Ban Procedures

.01. Whenever the primary market implements a stop order ban in an individual stock due to an unusually large accumulation of stop and stop limit orders, the BSE will also ban such orders as follows:

(i) Upon notice from the primary market by indication over the consolidated tape that stop and stop limit orders are banned in an individual stock, the Boston Stock Exchange will announce to its floor and BEACON subscribers that a stop order ban is in effect in the individual stock.

(ii) The entry of stop and stop limit orders will be banned until such time as the ban is lifted in the primary market and that information is disseminated on the consolidated tape. Any orders received in the BEACON system will be rejected and the message "stop not accepted --ban in effect" will be sent back to the entering firm.

(iii) Any stop and stop limit orders residing on the specialist's book at the time the ban goes into effect will be canceled by the Exchange. The cancellation message "U R Out" will be sent back to the entering firm.

Adopted.

July 29, 1993.

Amended.

October 1, 1993.

March 25, 1999.

SEC. 36.

Specialist Member Organizations Affiliated with an Approved Person

(a) An Exchange specialist firm affiliated with an approved person must establish functional separation (a "Chinese Wall") as appropriate to its operation and further establish, maintain and enforce written procedures reasonably designed to prevent the misuse of material, non-public information, which includes review of employee and proprietary trading, memorialization and documentation of procedures, substantive supervision of inter-departmental communications by the Exchange specialist firm's Compliance Department and procedures concerning proprietary trading when the firm is in possession of material, non-public information. The Exchange specialist firm must obtain the prior written approval of the Exchange that it has complied with the requirements above in establishing functional separation as appropriate to the operation and that it has established proper compliance and audit procedures to ensure the maintenance of the functional separation. A copy of these Chinese Wall procedures, and any amendments thereto, must be filed with the Exchange Surveillance Department.

(b) The following are the minimum procedural and maintenance requirements:

(1) The specialist's book must be kept confidential in accordance with Chapter XV(g).

(2) The approved person can have no influence on specific specialist trading decisions.

(3) Material, non-public corporate or market information obtained by the approved person from the issuer may not be made available to the specialist.

(4) Clearing and margin financing information regarding the specialist may be routed only to employees engaged in such work and managerial employees engaged in overseeing operations of the approved persons and specialist entities.

(c)(1) A broker affiliated with an associated approved person may make available to the specialist only the market information that he would make available to an unaffiliated specialist in the normal course of his trading and "market probing" activity. (2) A specialist may make known to a broker affiliated with an approved person only the information about market conditions in specialty stocks that he would make available in the normal course of specializing to any other broker and in the same manner as it would make such information available to any other broker. The specialist may make such market information available only upon request of the broker of the affiliated approved person and may not provide such information on its own initiative. (3) An approved person can popularize a specialty stock provided it makes adequate disclosure about the existence of possible conflicts of interest.

(d) A specialist who becomes privy to material, non-public information must communicate that fact promptly to his firm's compliance officer or other designated official. The specialist shall seek guidance from the compliance officer or other designated official as to what procedures the specialist should follow after receipt of such information or such other action that should be taken. Appropriate records shall be maintained by the compliance officer or other designated official. The record should include a summary of the information received by the specialist and a description of the action taken by the compliance officer or other designated official. If the "book" is given up to another member of the specialist unit who is not in possession of the information or an independent specialist unit, the book must be transferred in a neutral fashion to ensure that the transfer itself does not disclose the material, non-public information and the Exchange must be immediately informed and a record kept of the time the specialist reacquired the book reflecting acknowledgement by the compliance officer that the reacquisition was appropriate.

(e) The Exchange has established the following procedures to monitor compliance with this rule:

(1) Examination of the Chinese Wall procedures established by Exchange specialist firms.

(2) Surveillance of proprietary trades effected by an approved person and its affiliated specialist member organization.

Accordingly, the Exchange will conduct periodic examinations of the specialist firm's Chinese Wall procedures to ensure that a functional separation between the approved person and the specialist organization has been created and thereafter maintained. The Exchange will also monitor the trading activities of approved persons and affiliated specialists in the firm's specialty stocks in order to monitor the possible trading while in possession of material, non-public information through the periodic review of trade and comparison reports generated by the Exchange.

Adopted.

May 18, 1994.

SEC. 37

ITSFEA Procedures

(a) Every member organization shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such member's business, to prevent the misuse of material, non-public information by such member or persons associated with such member. Members that are required, pursuant to this rule, to file SEC Form X-17A-5 with the Exchange on an annual basis shall file contemporaneously with those submissions, signed statements by such members that the procedures mandated by this rule have been established, enforced and maintained. Any member or associated person, who is subject to this rule, who becomes aware of a misuse of material, non-public information must promptly notify the Exchange's Market Surveillance Department.

(b) In the instance where a BSE member organization has adopted written supervisory procedures relating to ITSFEA in connection with requirements under another Designated Examining Authority ("DEA"), which

comply with the requirements of the DEA, that member organization shall not be subject to the Exchange requirements set forth in paragraph (a).

••• **Supplementary Material:** ...

.01 For purposes of this rule, conduct constituting the misuse of material, non-public information includes, but is not limited to, the following:

(a) trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while knowingly in possession of material, non-public information concerning that issuer;

(b) trading in a security or related options or other derivative securities, while in possession of material, non-public information concerning imminent transactions in the security or related securities; and

(c) disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of knowingly facilitating the misuse of such material, non-public information.

.02 The term "associated person" and "person associated with a member" shall mean any partner, officer, director, or branch manager of a member (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a member, or any employee of a member.

.03 At a minimum, each member is required to establish, maintain and enforce the following policies and procedures:

(a) all associated persons must be advised in writing of the prohibition against the misuse of material, non-public information;

(b) each member organization, and all persons associated with that member organization, must sign statements affirming their awareness of and agreement to abide by the afore-mentioned prohibitions. These signed statements must be maintained for at least three years, the first two years in an easily accessible place;

(c) each member organization must maintain copies of trade confirmations and monthly account statements for each account in which an associated person (1) has a direct or indirect interest or (2) makes investment decisions. These trade confirmations and monthly account statements must be maintained for at least three years, the first two years in an easily accessible place. Such brokerage accounts must be reviewed at least quarterly by the member organization for the purpose of detecting the misuse of material, non-public information;

(d) all associated persons must disclose to the member organization whether they, or any person in whose account they have a direct or indirect financial interest, or make investment decisions, is an officer, director or 10% shareholder in a company whose shares are publicly traded. Any transaction in the stock (or option thereon) of such company shall be reviewed to determine whether the transaction may have involved a misuse of material, non-public information.

Maintenance of the foregoing policies and procedures may not, in all cases, satisfy the requirements of this rule; the adequacy of each member's policies and procedures will depend upon the nature of such member's business.

.04 The Exchange has developed sample forms, denominated as the "ITSFEA Compliance Procedures" (in reference to the Insider Trading and Securities Fraud Enforcement Act of 1988), which may be used by certain eligible member organizations to facilitate their compliance with the recordkeeping and filing

requirements of this rule. Use of these forms does not create a presumption by the Exchange that any particular member has satisfied the requirements of this rule.

Adopted.

June 30, 1994.

SEC. 38.

Stopping Stock

(a) Stop Constitutes Guarantee --An agreement by a member or member organization to "stop" securities at a specified price shall constitute a guarantee of the purchase or sale by him or it of the securities at the price or its equivalent in the amount specified.

(b) Stopping Stock --A specialist may stop stock when a member, acting on behalf of either a public customer's account or an account in which such member or another member has an interest, makes an unsolicited request that a specialist grant him a stop if, after the granting of the stop, the spread between the bid and offer is reduced in any case where, prior to the granting of the stop, the spread in the quotation was not less than twice the minimum variation of trading in the stock (see subsection (d) and Interpretation .50 regarding stopping stock in minimum variation markets).

(c) Liability for Stopped Orders --If an order is executed at a less favorable price than that agreed upon, the member or member organization which agreed to stop the securities shall be liable for an adjustment of the difference between the two prices.

(d) Stopping Stock in Minimum Variation Markets --In the case of a minimum variation market, a stopped sell order will be filled when a transaction takes place at the bid price or lower on the primary exchange, or when the Exchange's displayed share volume at the offering has been exhausted. A stopped buy order will be filled when a transaction takes place at the offering price or higher on the primary exchange, or when the Exchange's displayed share volume at the bid has been exhausted. Notwithstanding the foregoing, all orders stopped pursuant to this paragraph shall be executed by the end of the trading day on which such order was stopped at no worse than the stopped price.

••• Interpretations: ...

.10 In accordance with the Exchange's price protection rules, stopped orders will be filled based on trades that occur in the primary market.

.20 In granting a stop in a minimum variation market, a specialist should change the quoted bid (offer) size in order to reflect the size of the order being stopped.

Adopted.

December 8, 1994.

Amended.

April 22, 1996.

SEC. 39.

Periodic Reports

Member organizations shall submit, as required by the Exchange, periodic reports with respect to short

positions in securities.

••• **Supplementary Material:** ...

.01 Short Positions --Member organizations for which the Exchange is the designated examining authority ("DEA") are required to report short positions, including odd-lots, in each stock or warrant traded on the Exchange, and in each other stock or warrant otherwise reported to another United States securities exchange or association, using such automated format and methods as prescribed by the Exchange. Such reports must include customer and proprietary positions and must be made at such times and covering such time period as may be designated by the Exchange. Member organizations whose short positions have properly been reported to, and are carried by, a non-member clearing organization will be in compliance with this rule if adequate arrangements have been made providing for the clearing organization to properly report such positions to the Exchange or to another United States securities exchange or association.

"Short" positions to be reported are those resulting from "short" sales as defined in Securities and Exchange Commission Regulation §242.200, but excluding positions resulting from sales specified in clauses (1), (6), (7), (8), and (10) of paragraph (e) of Rule 10a-1. Also to be excluded are "short" positions carried for other members and member organizations reporting for themselves.

Only one report should be made for each stock or warrant in which there is a short position. If more than one "account" has a short position in the same stock or warrant, the combined aggregate should be reported.

Member organizations for which the Exchange is not the DEA must report short positions to its DEA if such DEA has a requirement for such reports. If the DEA does not have such a reporting requirement, then such member organization must comply with the provisions of this rule.

Adopted.

January 27, 1995.

Amended.

December 22, 2004.

SEC. 40.

Limit Order Display Rule

All customer Limit Orders shall be immediately (defined as no later than 30 seconds) displayed upon receipt, unless specifically exempted under SEC Rule 11Ac1-4 of the Securities Exchange Act of 1934.

(a) More specifically, SEC Rule 11Ac1-4 provides that a specialist must, under normal market conditions, "immediately" (i.e, no later than 30 seconds) display such order in the bid or offer that reflects:

(i) the price and the full size of each customer limit order held by the specialist that is at a price that would improve the bid or offer price displayed by such specialist in such security; and

(ii) the full size of each customer limit order held by the specialist that:

(A) is priced equal to the bid or offer of such specialist for such security;

(B) is priced equal to the national best bid or offer; and

(C) represents more than a de minimus change in relation to the size associated with the specialist's bid or offer (more than 10% of the current quote size - must aggregate de minimus orders in calculating 10%).

(b) Exceptions. The requirements in paragraphs (i) and (ii) above shall not apply to any customer limit order:

(i) that is executed upon receipt of the order;

(ii) that is placed by a customer who expressly requests, either at the time that the order is placed or prior thereto, pursuant to an individually negotiated agreement with respect to such customer's orders, that the order not be displayed;

(iii) that is an odd-lot order;

(iv) that is a block size order (10,000 shares or more or a market value of \$200,000 or more), unless a customer placing such order requests that the order be displayed (block size limit order - may accumulate partial executions and go below 10,000 shares without required display based on original block size exception);

(v) that is delivered immediately upon receipt to an exchange or association-sponsored system, or an electronic communications network that complies with the requirements of SEC Rule 11Ac1-1(c)(5)(ii) with respect to that order;

(vi) that is delivered immediately upon receipt to another exchange member that complies with the requirements of this section with respect to that order; or

(vii) that is an "all or none" order.

••• **Interpretation:** ...

(i) A customer short sale limit, if such display would cause an execution on a minus or zero-minus tick, should not be displayed. However, a customer short sale limit should be displayed where the order is eligible for execution if the application of a price test has been suspended by Commission rule, motion or order.

(ii) BSE sole-listed issues are exempted.

(iii) "Marker" orders are permissible for those limit orders that qualify for an exception to SEC Rule 11Ac1-4.

(iv) A specialist may send a partial "marker" only with explicit customer authorization.

(v) The limit order display does not require a specialist to immediately display an order that would lock or cross the market. However, the specialist, if after using reasonable and efficient means, attempted but was unable to trade with the displayed market, the limit order must be displayed even if it locks or crosses the market.

Adopted.

August 27, 1998.

Amended.

December 22, 2004.

SEC. 41.

Minimum Price Variation

The Minimum Price Variation shall be 0.01. The Exchange shall not display, rank or accept any bid, offer, or order in a security priced in an increment smaller than \$0.01 if that bid, offer or order is priced equal to or greater than \$1.00. The Exchange may execute and report Mid-Point Cross Orders, and certain Preferred Price Cross Orders as set forth in Chapter XXXVII, Section 2(c)(ii)(J), in increments as small as one-half of the Minimum Price Variation.

Adopted.

September 8, 2000.

Amended.

August 5, 2002. August 25, 2006.

September 29, 2006.

SEC. 42.

Anti-Money Laundering Compliance Program

Each member organization and each member not associated with a member organization shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each member organization's anti-money laundering program must be approved, in writing, by a member of senior management.

The anti-money laundering programs required by this Section shall, at a minimum:

- (1) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;
- (2) Establish and implement policies and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;
- (3) Provide for independent testing for compliance to be conducted by Participant personnel or by a qualified outside party;
- (4) Designate, and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program and provide prompt notification to the Exchange regarding any change in such designation(s); and
- (5) Provide ongoing training for appropriate persons.

Adopted.

October 10, 2003.

Sec. 43

Riskless Principal Transactions

(1) A “riskless principal transaction” is a two-legged transaction in which a member, (i) after having received an order to buy a security that it holds for execution on the Exchange, contemporaneously purchases the security as principal at the same price, exclusive of markups, markdowns, commissions and other fees, to satisfy all or a portion of the order to buy or (ii) after having received an order to sell a security that it holds for execution on the Exchange, contemporaneously sells the security as principal at the same price, exclusive of markups, markdowns, commissions and other fees, to satisfy all or a portion of the order to sell.

(2) A last sale report for only the initial principal leg of the transaction shall be submitted in accordance with the rules and procedures of the market where the transaction occurred. The second “riskless principal” leg of the transaction must still be submitted and executed on the Exchange as with any other order, but the Exchange will not report that leg of the transaction to the respective consolidated tape. As applicable, the riskless principal leg may be submitted to the Exchange for execution as either (i) a non-tape, clearing-only order with a “CTA no-print” indicator if a clearing report is necessary to clear the transaction; or (ii) a non-tape, non-clearing order with a “CTA no-print” indicator if a clearing report is not necessary to clear the transaction.

(3) A member must have written policies and procedures to assure that its riskless principal transactions comply with this Section. At a minimum these policies and procedures must require that the customer order be received prior to the offsetting transactions, and that the offsetting transactions be executed contemporaneously with the original transaction. A member must also have supervisory systems in place that produce records that enable the member and the Exchange to accurately and readily reconstruct, in a time-sequenced manner, all orders for which a member relies on the riskless principal exemption.

Adopted.

February 24, 2005.

Chapter IIB – Post 4:00 P.M. Trading

SEC 1.

Application of Chapter

This chapter applies to the facilitation of certain orders after the close of the 9:30 a.m. to 4:00 p.m. Primary Session. All other provisions of the Constitution and Rules of the Exchange are applicable unless superseded by this chapter.

Amended.

October 29, 1999.

SEC 2

GTX Orders

(a) A GTX order is defined as an unconditioned GTC order designated by the entering broker as executable at 5:00 p.m. at the primary market closing price. (A GTC order is defined in Chapter I, Section 3.)

(b) A one-sided single stock order ("OS") is defined as a buy or sell order (round lots only) entered after 4:00 p.m. for execution in an after-hours trading session.

(c) A two-sided single stock order ("TS") is defined as a coupled buy and sell order (round and partial round lots permitted) entered after 4:00 p.m. for execution in an after-hours trading session.

(d) In order to facilitate GTX orders, the Exchange will require its specialists to accept cancellations until 5:00 p.m., and issue trade reports, as necessary, on GTX orders at the primary market closing prices at or shortly after 5:00 p.m. With respect to Section 33.01(c) of the Execution Guarantee Rule, if the issue has traded at the limit price in a primary market's after-hours trading session, the Boston specialist will fill limit orders, designated as GTX, based on volume that prints in the primary market's after-hours trading session.

Adopted.

June 13, 1991.

Amended.

October 29, 1999.

SEC. 3.

Post Primary Session

To be eligible for execution during the Post Primary Session ("PPS"), an order must be designated "PPS." The PPS is an extension of the Exchange's auction market and, as such, Exchange rules applicable to floor trading during the Primary Session continue to apply unless otherwise indicated below.

(a) ITS trading will continue among the four regional exchanges, including Chicago, Philadelphia, Pacific, and Boston.

(b) Beacon will continue to operate as a routing system for PPS eligible orders, but will not provide an automatic execution mechanism.

(c) There will be no book quote available:

(i) Limit orders on the book from the Primary Session are not eligible for the PPS and must be carried over to the next day.

(ii) The Limit Order Display Rule will remain in effect for any limit orders received during the PPS and must be displayed manually.

(d) The Execution Guarantee Rule will not be available in any form during the PPS.

Adopted.

October 29, 1999.

SEC. 4.

Facilitation of Customer Average Pricing Programs "CP"s Eligible for Reporting During PPS

This section applies to the facilitation of certain transactions hereinafter referred to as Customer Average

Pricing Programs, "CP"s, which are reported during the PPS to facilitate transactions in single issue, or portfolios of stocks. In order to be eligible under this rule, all CPs must facilitate customer-to-customer (agency), or customer-to-principal (principal) average pricing programs that are based on primary market average prices. For the purposes of this Section and Section 5, only those stocks that are listed on the Exchange, or that are traded pursuant to Unlisted Trading Privileges (UTP), shall be eligible for these programs.

(a) CPs are not exposed to the Exchange's PPS auction, are not price protected during PPS, and thus, may not be broken-up upon entry to the Exchange¹

(b) CPs must be electronically communicated to the Exchange via BEACON, identified as "CP" on each cross, entered by symbol and price, into the system, identified as to 'principal' or 'agency', and when applicable, identified as 'short exempt'. The time slice must be identified on the cross, identifying the beginning and ending slice for CP entered crosses.

BEACON will record the transaction for Tape reporting with the identifier "W", to the nearest fraction or decimal eligible for reporting by the Exchange.

(c) The following CP crossed orders are eligible for Reporting during the PPS:

(i) **Primary Market Average Price --Benchmark +/- (Plus or Minus).** This CP Program provides customers with average pricing based on the primary market's trading session transactions that are reported to the consolidated tape. The Benchmark is the primary market's average price for the duration of the CP Program. If the Benchmark is exceeded, the customer will receive a better price. If the Benchmark is not reached, the customer will receive a price less than the Benchmark price.

(ii) **Primary Market Average Price --Guaranteed.** This CP Program provides customers with a guarantee of receiving the Benchmark. Customers electing to participate in this Program will not be eligible to obtain a better, or an inferior price.

(iii) **Primary Market Average Price --Stop.** This CP Program provides customers with the Benchmark, or better.

Adopted.

January 16, 2001.

¹ These orders are not afforded price protection generally available to members under BSE Rules of Board of Governors, Chapter II, Section 33., Execution Guarantee

SEC. 5.

After-Hours Risk Portfolio Crosses "RP"s Eligible for PPS

After-Hours Risk Portfolio Crosses, "RP"s, provide customers with the ability to sell (buy) baskets of stocks (at least 15 stocks, \$1 million or more in value) where the member firm guarantees to the customer the primary market closing price, less a discount (plus a premium) for the components that comprise the basket.

(a) RPs are not exposed to the Exchange's PPS auction, and are not price protected²

(b) RPs must be electronically communicated to the Exchange via BEACON, identified as "RP" on each cross, entered by symbol and price, into the system, identified as 'principal' or 'agency', and if appropriate identified as 'short exempt'. BEACON will record and enter the transaction, and report RPs to the

consolidated tape in the aggregate. BEACON will record these transactions as RP Programs and provide regularly available information on aggregate volume levels by individual stock components on T + 3, or thereafter .

Adopted.

January 16, 2001.

² These orders are not afforded price protection generally available to members under BSE Rules of Board of Governors, Chapter II, Section 33., Execution Guarantee. Transactions which occur "regular way" will settle within the standard T³ settlement period. Cash settlements may settle beyond the standard T³ settlement period, according to the agreement of the parties to the transaction. The overwhelming majority of transactions occur "regular way".

Chapter IIC – Extended Hours Crossing Session

SEC. 1 This chapter applies to the facilitation of certain orders outside of the 9:30 a.m. to 4:00 p.m. Primary Session, and the 4:01 to 4:15 p.m. Post Primary Session. All other provisions of the Constitution and Rules of the Exchange are applicable unless superseded by this chapter.

Adopted.

March 1, 2004.

SEC. 2

Extended Trading Session Hours

The Extended Trading Session ("ETS") will operate from 8:00 a.m. to 9:28 a.m., and from 4:16 p.m. to 6:30 p.m. EST, on every day the Exchange is open for the transaction of business. Trades executed and reported outside of the Primary Trading Session shall be designated as .T trades.

Adopted.

March 1, 2004.

SEC. 3

ETS

To be eligible for execution during the ETS, an order must be designated "ETS." The ETS is an extension of the Exchange's auction market and, as such, Exchange rules applicable to floor trading during the Primary Session continue to apply unless otherwise indicated below.

- (a) BEACON will continue to operate as a routing system for ETS eligible orders.
- (b) There will be no book quote available.
- (c) The Execution Guarantee Rule will not be available in any form during the ETS.

Adopted.

March 1, 2004.

SEC. 4

Customer Disclosures

No member may accept an order from a customer for execution in the ETS without disclosing to such customer that:

- (1) only matched orders are eligible for execution during the ETS;
- (2) a matched order must be designated specifically for trading in the ETS to be eligible for trading in the ETS; and
- (3) extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk.

The disclosures required pursuant to this subparagraph (3) may take the following form or such other form as provides substantially similar information:

1. **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours.
2. **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, you may receive an inferior price in extended hours trading than you would during regular markets hours.
3. **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.
4. **Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.
5. **Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
6. **Risk of Wider Spreads.** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Adopted.

March 1, 2004.

SEC. 5

Order Execution

Only matched orders will be executed during the ETS. For the purposes of this Chapter IIC, "Matched Orders" shall mean orders submitted by members on both sides of the market (i.e. a "buy" and a "sell") which match exactly as to security, size, price and time of entry. Any order submitted for execution during ETS, and designated for execution in ETS, but which is not a Matched Order, will be systemically rejected. All Matched Orders designated for execution in ETS will be executed in BEACON upon receipt.

Adopted.

March 1, 2004.

SEC. 6

Orders for Primary Session

Orders for the Primary Session can be entered during the 8:00 a.m to 9:28 a.m period of the ETS. Orders not specifically designated for execution in ETS, and which are otherwise eligible for execution in the Primary Session, and which are submitted between 8:00 a.m. and 9:28 a.m. will be retained for entry into the Primary Session, and will become eligible for execution at 9:30 a.m.

Adopted.

March 1, 2004.

Chapter III – Comparisons – Liability on Contracts

SEC. 1.

Reporting Transactions

It shall be the duty of every member to report each of his transactions as promptly as possible to his office, where prompt verification shall be made with the comparison report received from the Boston Stock Exchange Clearing Corporation.

SEC. 2.

Penalty for Neglect

Neglect of a member to comply with the provisions of Section 1 shall render him liable to a fine not exceeding five hundred dollars.

SEC. 3.

Errors in Comparison

Should a difference be discovered in making comparison, the exact liability of the disputant shall be promptly established by purchase, sale, or mutual agreement.

SEC. 4.

Failures to Compare

No comparison, or failure to compare, and no notification or acceptance of notification, shall have the effect of creating or of canceling a contract or of changing the terms or parties thereof, or of releasing the

original parties from liability. The Exchange shall have no liability in relation to any of the original parties to a contract entered into by a member, allied-member, or member-organization.

Amended.

February 23, 2004.

SEC. 5.

Substitution of Principals

No party to a contract shall be compelled to accept a substitute principal unless the name proposed to be substituted shall be declared in making the offer and is a part thereof. Floor brokers failing to give up their principals before 4:00 p.m. of the day of the transaction may be held as principals.

Amended.

October 1, 1974.

SEC. 6.

Floor Broker's Responsibility

The floor broker giving up his principal before 4:00 p.m. shall not be responsible for the trade thereafter unless he is notified before the close of the Exchange session the following business day, of the inability of such principal to complete the comparison.

Amended.

October 1, 1974.

SEC. 7.

Book-Entry Settlement

(a) A member, member organization or affiliated member of the Clearing Corporation shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another financial intermediary or a member of a national securities exchange or a registered securities association.

(b) A member, member organization or affiliated member of the Clearing Corporation shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.

(c) For purposes of this rule, the term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934.

(d) The term "depository eligible securities" shall mean securities that (i) are part of an issue (as identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (ii), with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(e) This rule shall not apply to transactions that are settled outside of the United States.

(f) The requirements of this rule shall supersede any inconsistent requirements under the Constitution and

Rules of the Boston Stock Exchange and the Rules of the Clearing Corporation.

(g) This rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and

(i) if the transaction is for the same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cut-off time established by the depository for the same-day crediting or deposited securities, or

(ii) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cutoff date established by the depository for that issue of securities.

Adopted.

June 11, 1993.

SEC. 8.

Depository Eligibility Rule

(a) Before any issue of securities of a domestic issuer (not including American Depositary Receipts for securities of a foreign issuer) is listed on the Exchange on or after June 7, 1995, the Exchange must have received a representation from the issuer that a CUSIP number identifying the securities has been included in the file of the eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 ("securities depository" or "securities depositories"), except that this paragraph shall not apply to a security if the terms of the security do not and cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories.

(b) A security depository's inclusion of the CUSIP number identifying a security in its file of eligible issues does not render a security "depository eligible" within the meaning of Section 7 until:

(i) in the case of any new issue distributed by an underwriting syndicate on or after the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available, the commencement of trading in such security on the Exchange, or

(ii) in the case of any new issue distributed by an underwriting syndicate prior to the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available where the managing underwriter elects not to deposit the securities on the distribution date, such date as is the subject of a notification submitted by the managing underwriter to the securities depository but in no event more than three months after the commencement of trading in such security on the Exchange.

Adopted.

June 1, 1995.

Chapter IV – Contracts on Time – Deposits On

SEC. 1.

Interest Thereon

Transactions for more than three days shall carry interest at six per cent, unless otherwise agreed, or

unless a different rate has been fixed by the Exchange. On such contracts one day's notice shall be given, at or before 2:15 p.m., before the securities shall be deliverable prior to the maturity of the contract.

SEC. 2.

Falling Due on Holidays

All contracts, including loans of money or securities, falling due on holidays or half-holidays observed by the Exchange shall be settled on the next succeeding full business day.

SEC. 3.

Deposits Required

In all contracts on time, deposits may be demanded by either party at any time during the existence of the contract, viz.:

On all stocks sold for fifty dollars per share or more --ten dollars per share.

Between twenty-five and fifty dollars per share --twenty per cent of the price of sale.

From fifteen to twenty-five dollars per share --five dollars per share.

Under fifteen dollars per share --thirty per cent of the price of sale.

In case of variation in market price of stocks bought or sold, a further deposit shall be made if called for by either party to keep the margin good according to the above scale, during the existence of the contract.

SEC. 4.

Failure to Make Deposit

Failure of either party to a contract to comply with a demand for a deposit shall constitute a default; and the other party to the contract may report such default to the Exchange, and instruct it to re-establish the contract forthwith, by a new purchase or sale "under the rule", and any difference arising therefrom, shall be paid to the party entitled thereto.

Written notice of intention to re-establish the contract shall be sent to the office of the party in default.

SEC. 5.

Deposits --Where Made

Unless otherwise mutually agreed, deposits on contracts shall be made in an institution determined by the Treasurer of the Exchange.

Chapter V – Unit of Delivery – Payment for Deliveries – Transfers

SEC. 1.

Current Securities --Size of Delivery --Bonds

Stocks and other securities offered for sale at the Exchange must be of such a description as are generally current in the market, and in the case of bonds, of not more than five thousand dollars and not less than five hundred dollars each; if otherwise, it shall be so stated by the seller when offering such securities for

sale.

SEC. 2.

Unit of Delivery --Payment for Deliveries --Transfers

In all deliveries of securities, the party delivering shall have the right to require the purchase money to be paid upon delivery; if delivery is made by transfer, payment may be required at time and place of transfer.

Certified checks

In the settlement of transactions involving one thousand dollars or more, the seller is entitled to a certified check.

Amended.

April 7, 1978.

SEC. 3.

Size of Delivery --Stocks

In all sales or contracts for delivery of securities between members of the Exchange the parties shall settle the contracts in accordance with the terms and conditions prescribed by the registered clearing agency through which clearing and settlement is to take place.

Amended.

September 14, 1978.

SEC. 4.

Stocks Subject to Assessment

In all cases where personal liability attaches to ownership the seller shall have the right to deliver stock by transfer.

SEC. 5.

Fee for Collecting Dividends

Where parties have neglected to transfer stock before the books are closed for a dividend, they may, on presentation of the certificate, demand of the party in whose name it stands a due-bill for such dividend, for which a charge may be exacted of one per cent on the amount to be collected.

SEC. 6.

Due-bills

Where stock has been loaned, and during the loan a dividend has been declared, the party borrowing the stock shall give a due-bill for the dividend on the day the books close, the same to be payable on the day the dividend, as declared, is paid by the company.

Returning of odd lots

Where odd lots of stocks have been loaned or borrowed they cannot be demanded or returned while the books are closed, unless mutually agreed upon, and the carrying rate shall remain the same as that originally agreed upon.

SEC. 7.

Bonds in Default

In sales of bonds or similar securities bearing interest, while payment of either principal or interest, in cash, is refused by the company issuing said bonds or securities, interest shall not be computed in the settlement.

SEC. 8. All bonds upon which the interest is in default, or upon which the coupons have been funded, either by an issue of scrip, preferred stock, or otherwise, shall have all unpaid coupons attached, to constitute a good delivery, unless so stated at time of sale.

SEC. 9.

Notice on Return of Borrowed Stocks

Borrowers of stocks shall be entitled to one business day's notice, said notice being given before three o'clock of the business day previous to delivery, and lenders shall be entitled to the same notice for the return of stocks; and any failure to respond to such notice shall be considered a violation of contract.

SEC. 10.

Delivery Closing Time

In all sales or contracts for delivery of securities between members of the Exchange, the party who is to receive the same shall not be bound to take them after the delivery closing time prescribed by the Boston Stock Exchange Clearing Corporation, but may postpone the payment, without being charged interest, to the following delivery day.

SEC. 11.

Settlement for Odd Lots When Books Closed

Sales made when the transfer books are closed, in any but lots of one hundred shares (which shall be delivered by certificate), shall be settled at the opening, unless otherwise agreed upon, except when the opening occurs on Saturday or a holiday, when they shall be settled the following delivery day, and shall carry interest at the rate of six per cent per annum, unless otherwise agreed upon or fixed by the Exchange. Any sales of odd lots, as above, made on the third full business day preceding the opening of the books, shall be considered as regular sales and shall not carry interest.

SEC. 12.

Reclamations

Reclamations for irregularities in deliveries of securities, when such irregularities do not affect their validity, but only currency in market, will not be considered valid unless made within ten days from day of delivery.

When a proper reclamation is made for irregularity in delivery of stock, the claimant may require from the seller the immediate delivery of a good certificate for the irregular one.

The same rule applies to bonds and also to loaned securities.

Chapter VI – Failure to Fulfill Contracts

SEC. 1.

Closing Contracts

When the inability to meet contracts by a member, allied-member or member-organization is announced to the Exchange, members having contracts subject to the Rules of the Exchange with the member, allied-member or member-organization shall without unnecessary delay proceed to close the same. If the contracts involve securities admitted to quotation upon the Exchange the closing must be in the Exchange, either officially by the Exchange, or by personal purchase or sale. If the contracts involve securities not dealt in on the Exchange, the purchase or sale of such securities must be promptly made in the best available market. Should a contract not be closed, as above provided, the price of settlement shall be fixed by the price current at the time when such contract should have been closed under this Rule. Nothing in this Section shall inure any liability on the Exchange on the part of its member, allied-member, or member-organization, and no action taken by the Exchange in closing, assisting to close, or otherwise acting on behalf of its member, allied-member, or member-organization, shall have the effect of transferring to the Exchange any liability related to contracts not directly entered into by the Exchange.

Amended.

February 23, 2004.

SEC. 2.

Notice of Closing Contracts

Should any contract not be fulfilled on the day it becomes due, the party or parties to whom it is due may, after giving written notice to the party in default, not later than half-past two o'clock p.m., employ the Exchange, through a representative designated by it, to close the same in the Exchange, by purchase or sale, as the case may require. The said written notice shall be either delivered at the office of the party to be notified, or served upon him in person. The Exchange will incur no liability as a result of its actions on behalf of the party in default, and shall employ its best efforts to close the contract. Despite any such action by the Exchange, the original parties to the contract shall remain solely responsible for the terms thereof, and the Exchange shall have no responsibility or liability for any losses which may be incurred by either party.

Exceptions to the above rule as to notice are as follows:

In case of delayed delivery

(1) Where the contract represents a delayed delivery the form of notice shall comply with that set forth in Section 9, Chapter V of the Rules.

Securities in transit

(2) Where demand is made to close a contract and the Exchange has evidence satisfactory to it that the securities are in transit, then it may extend the closing of the contract to such time as it may determine to be equitable to both parties.

Amended.

February 23, 2004.

SEC. 3.

Procedure --Notice of Intention to Buy or Sell

Every notice of intention to buy in or sell under the rule must state the name of the original party who shall give the order to the Exchange, and also the name of the first party for whose account it is to be bought in or sold, so that successive parties in interest can identify the purchase or sale when made by the representative of the Exchange. When this is done one purchase or sale by such representative will be for account of each successive party on the line who has been duly notified. It is not necessary for such representative to state all the successive names in order to make the one purchase or sale binding on all.

SEC. 4.

How Default May Be Cured

If such stock in default is tendered before an order has been placed to buy in such stock, each party to whom it is due must accept and pay for it.

SEC. 5.

Notices as to Closed Contract

After a purchase or sale has been made under the Rule, the party who gave the order must promptly send a notification of the purchase to the party whose contract has been closed. Notifications to successive parties in interest must be transmitted without delay.

SEC. 6. In all cases where a representative of the Exchange may be directed to buy or sell securities under this Rule, the name of the member defaulting, as well as that of the member giving the order, shall be announced.

SEC. 7.

Orders Must Be in Writing

No order for the purchase or sale of securities under this Rule shall be executed unless made out in writing over the signature of the party giving the order, who shall state the reason therefore; and it shall be the duty of the representative of the Exchange who executes the order to endorse thereon the name of the purchaser or seller, the price and the hour at which the contract is closed, and deliver the same to the office of the Secretary of the Exchange, who shall, within twenty-four hours, ascertain whether the party for whose account the order was given has paid the difference, if any, arising from the transaction. If not paid, the Secretary shall report the default to the President. The duty devolved upon the Exchange or its representative under this Rule shall be performed without charge. Purchases and sales under this Rule are "cash".

SEC. 8. No party shall be permitted to supply offers to buy or sell securities closed for his account "under the Rule".

SEC. 9.

Penalties for Defaults

When a contract is closed under this Rule, any action of the defaulter, direct or indirect, by which the prompt fulfillment of such contract is delayed, hindered, or evaded, to the detriment of the other contracting party, shall subject the offending party to suspension for not less than thirty days, or expulsion, in the discretion of the Board of Governors, by a vote of at least a majority of its members in the case of suspension and a vote of at least two-thirds of its members in the case of expulsion.

SEC. 10. When contracts are closed out under this Rule any member supplying the bid or offer, and not duly receiving or delivering the stock, as the case may be, renders himself liable to the penalties prescribed in Section 9 above.

SEC. 11.

Failure to Deliver the Stock

Should any stock thus sold out be not delivered until the next day, the contract shall continue; but the party defaulting shall be liable to pay such damages as may be assessed by the Board of Governors.

SEC. 12. The same Rules that govern defaults in other contracts shall apply to all defaults in borrowed and loaned securities.

SEC. 13.

Payment of Loan of Money

When money is loaned "on call" by one member of the Exchange to another, the lender shall have the right to demand the payment of the loan any day before twelve o'clock a.m., and if the same be not paid at or before half-past one o'clock p.m., on that day, then the borrower shall be considered in default, and the lender shall have the right to sell any securities securing the loan, or so much thereof as may be necessary to pay the loan, "under the Rule", in the manner prescribed in the foregoing sections of this Chapter.

The same Rule shall apply to the payment of time loans when due.

Chapter VII – Carrying of Accounts – Customers' Securities – Give-Up Orders

SEC. 1.

Adequate Margin Required

(1) The acceptance and carrying of an account for a customer, either a member or a nonmember, without proper and adequate margin, may constitute an act detrimental to the interest and welfare of the Exchange. The Board of Governors shall have the authority to fix the amounts which may be the minimum amounts required as against debit balance.

Daily record of initial or additional margin required

(2) Each member, allied-member or member-organization carrying margin accounts for customers shall make each day a record of every case in which, pursuant to the Rules of the Exchange or regulations of the Board of Governors of the Federal Reserve System, initial or additional margin must be obtained in a customer's account because of the transactions effected in such account on such day. Such record shall be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission, and shall show, for each such account, the amount of margin so required and the time when, and manner in which, such margin is furnished or obtained. Such record shall be in a form approved by the Exchange and shall contain such additional information as the Exchange may from time to time prescribe. The provisions of this paragraph with respect to the form in which such record shall be kept shall not apply to members, allied-members or member-organizations of the Exchange who are members, allied-members or member-organizations of another exchange, which exchange has comparable rules or regulations to which such members, allied-members or member-organizations are subject and comply, unless the Exchange so directs.

Furnishing margin by liquidation

(3) No such member, allied-member or member-organization shall permit a customer to make a practice of effecting transactions requiring such initial or additional margin and then furnishing such margin by the liquidation of the same or other commitments; except that the provisions of this paragraph (3) shall not apply to any account maintained for another broker or dealer in which are carried only the commitments of the customers of such other broker or dealer exclusive of the partners or stockholders of his member-organization, provided such other broker or dealer

(1) is a member or allied-member of the Exchange or a member-organization; or

(2) has agreed in good faith with the member, allied-member or member-organization carrying the account that he will maintain a record equivalent to that referred to in paragraph (2) of this Section; or

(3) is not subject to the regulations of the Board of Governors of the Federal Reserve System.

SEC. 2.

Improper Margin Transactions Prohibited

No member, allied-member or member-organization shall, without the prior written consent of the employer, make:

(1) a cash or margin transaction or carry a margin account in securities or commodities in which an employee of the Exchange or its affiliated companies, or an employee of another member or member-organization is directly or indirectly interested. Except in connection with transactions of an employee in Monthly Investment Plan type accounts, duplicate reports and statements shall be sent promptly to the employer.

(2) a margin transaction or carry margin accounts in securities or commodities in which an employee of a bank, trust company, insurance company or of any corporation, association or firm or individual engaged in the business of dealing either as broker or as principal, in stocks, bonds or other securities in any form, bills of exchange, acceptances, or other form of commercial paper, is directly or indirectly interested.

Investigation of accounts

Every member and allied-member is required to use due diligence to learn the essential facts relative to every customer, including the possible use of a name other than that of the interested party, and to every order or account accepted by him, except when acting as agent for another member.

Every member executing orders shall, if the character of the orders or transactions, or the sequence or volume thereof is such as reasonably to indicate that the orders or transactions may be in violation of the Rules of the Exchange, immediately bring the facts in respect to such orders or transactions to the attention of the Exchange.

SEC. 3.

Improper Use of Customer's Securities

The improper use of a customer's securities by a member, allied-member or member-organization is an act not in accordance with just and equitable principles of trade, and the offending member, allied-member or member-organization shall be subject to the penalties provided in the By-Laws.

Safe-keeping of securities

Securities of customers which are fully paid must be segregated and definitely marked as being held in safe-keeping. An agreement between a member, allied-member or member-organization and a customer,

authorizing the member, allied-member or member-organization to pledge securities, either alone or with other securities carried, for the account of the customer, either for the amount due thereon or for a greater amount or to lend such securities, does not justify the member, allied-member or member-organization in pledging or loaning more of such securities than is fair and reasonable in view of the indebtedness of said customer to said member, allied-member or member-organization.

Loaning of securities

Securities of customers held by members, allied-members or member-organizations against indebtedness of customers shall not be loaned without the written consent of such customers.

Use of customer's securities by members

No form of general agreement between a member, allied-member or member-organization and a customer shall warrant the member, allied-member or member-organization in using securities carried for the customer in sales made by the member, allied-member or member-organization for his or its own account, or for any account in which the member-organization in which said member or allied-member is a partner or stockholder or any general or special partner or stockholder thereof is directly or indirectly interested.

Amended.

May 1, 1975. May 14, 2012.

SEC. 4.

"Give-ups"

Member and member-organizations may pay "give-ups" on the following terms:

(a) Member and member-organizations may pay "give-ups" on commissions earned on transactions executed on this Exchange to other members and member-organizations.

(b) No member, member firm, or member-organization shall, in consideration of the receipt of brokerage commissions pay or give-up any money or work or give-up all or any part of any commission, at the direct or indirect request of a non-member, or by direct or indirect arrangement with a non-member; provided, however, that this Rule shall not be deemed to prohibit any of the following:

(i) Customer directed give-ups on an occasional basis for the accommodation and convenience of a customer whose account is carried by the firm to which the give-up is directed.

(ii) Give-ups, in accordance with paragraph (a) of this Section, by a member organization who is a member of another national securities exchange in connection with orders executed on the Exchange to other member organizations in consideration of the receipt of orders executed on this or any other national securities exchange of which it is a member.

(c) The member or member-organization executing the order on which the give-up is to be paid may pay from its share of the commission after deduction of the give-up the floor brokerage, if any, with respect to such order.

Amended.

May 1, 1975.

December 7, 1977.

SEC. 5.

Securities to Be Available to Customer

Any member or member-organization who or which holds securities of a customer subject to the instructions of the customer, whether the securities are registered in the name of the customer or in street name or are in bearer form, shall make suitable arrangements to have the securities reasonably available to the customer or subject to his order at all times. If the office of the member or member-organization is closed for any reason during normal business hours, the member or member-organization shall take such steps as he or it deems necessary to comply with this rule and shall notify the Exchange of the steps taken.

Chapter VIII – Minimum Amount of Margin on Transactions Made During the Course of a Single Day in Accounts of Members, Allied-Members and Member-Organizations

SEC. 1.

Members' and Allied-Members' Accounts

Individual accounts

(a) GENERAL RULE: No member or allied-member shall effect or cause to be effected any transaction in, or withdrawal from, any account carried with a broker or dealer in which account he has a direct or indirect interest (other than a member-organization account) if he has or should have knowledge that as a result of such transaction or withdrawal the equity in such account will be less than the sum of

(i) An amount equal to the difference between 100% of the market value of all securities long in the account, and the per cent of the market value which the Board of Governors of the Federal Reserve System shall prescribe from time to time as the maximum loan value of securities long in the account, and

(ii) Such amount as the Board of Governors of the Federal Reserve System shall prescribe from time to time as the amount to be included as the margin required for short sales, except that such amount so prescribed need not be included when there are held in the account securities exchangeable or convertible into such securities sold short, provided that if at the opening of business on any day the sum of (i) and (ii) above exceeds said equity, no purchase or sale of securities on said day shall be deemed a violation of this Section if said excess is not at any time on said day increased thereby; and provided further that no bona fide substitution of commitments consisting of the purchase of securities and the sale of other securities of substantially equivalent value on the same day for investment purposes shall be considered a violation of this Section.

Withdrawals during a single day

(b) MAINTENANCE OF REQUIRED EQUITY: No such member or allied-member shall on any day withdraw, or cause to be withdrawn, cash or securities from such an account, if such withdrawal would reduce the equity below the maximum amount required at any time during said day in such account by paragraph (a) hereof, even though such cash or securities would not be required in respect of the closing position in such account.

Exceptions

(c) EXEMPTED ACCOUNTS: Nothing in this Section shall apply to any account in which there are carried positions resulting only from transactions of any or all of the following types:

(i) Transactions of a member acting as a specialist and/or Odd-Lot Dealer in securities in which he is registered;

(ii) Transactions in securities not classified for trading as stocks by the Exchange;

(iii) Transactions entered into for bona fide arbitrage;

(iv) Transactions entered into in connection with a primary or secondary distribution;

(v) Transactions entered into in error;

(vi) Transactions not effected on the Exchange;

(vii) Transactions effected pursuant to a bona fide agreement that cash payment in full will be promptly made for securities purchased, and that securities sold will be promptly deposited in or transferred to such account; provided that in such exempted account or accounts, when considered without reference to any account subject to the provisions of paragraph (a) hereof, the minimum margin required by the Rules of the Exchange in a customer's account is maintained.

Calculation of equity in account

(d) DETERMINATION OF SECURITY POSITIONS AND EQUITIES: In computing the equity in any account subject to the provisions of paragraph (a) hereof, or in determining any security position (including a position in a "when issued" security) in such an account, securities purchased but not received shall be treated as though such securities had been received and the cost thereof had been debited to the account; and securities sold but not delivered shall be treated as though such securities had been delivered and the proceeds had been credited to the account. The equity in such an account throughout any day shall be deemed to be the equity in the account at the opening of business on that day, plus any cash and the value of any securities transferred to or deposited in the account prior to 5 p.m. on said day or in transit on said day for deposit in the account, minus any cash and the value of any securities withdrawn from the account on said day. Securities purchased or sold on any day shall during that day be valued at the prices at which so purchased or so sold. Securities transferred to, deposited in, in transit for deposit in or delivered from the account on any day otherwise than as the result of a purchase or sale, and security positions carried over from the preceding day, shall during said day be valued at the closing prices of the preceding day. "Puts", "Calls", "Straddles" and other options or privileges shall be disregarded. Active securities dealt in on a recognized exchange shall, for margin purposes, be valued at current market prices. Other securities shall be valued conservatively in the light of current market prices and the amount which might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried are subject to unusually rapid or violent changes in value, or do not have an active market on a recognized exchange, or where the amount carried is such that it cannot be liquidated promptly.

Effect of guarantees

(e) GUARANTEES: The equity in an account subject to the provisions of paragraph (a) hereof shall not be deemed to be increased if the account is guaranteed by any other account, nor to be decreased if the account guarantees another account which is subject to the provisions of paragraph (a) hereof; but if such an account guarantees another account which is not subject to the provisions of paragraph (a) hereof, the equity in the guaranteeing account shall be reduced by the sum required at the close of business on the preceding day to offset any deficiency then existing in the guaranteed account by reason of the Rules of the Exchange, the requirements of the member or member-organization carrying the account, or otherwise.

Keeping and preservation of records

(f) RECORD OF SEQUENCE OF TRANSACTIONS: Each member or allied-member who has an interest in any account subject to the provisions of paragraph (a) hereof shall promptly prepare or cause to be prepared and shall cause to be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission, a record of all transactions in such account showing as nearly as practicable the sequence in which they occurred.

SEC. 2.

Member-organization Accounts

MEMBER-ORGANIZATION ACCOUNTS

(a) GENERAL RULE: No member-organization shall effect or cause to be effected on the Exchange for any account in which such member-organization has a direct or indirect interest, any transaction in

securities classified for trading as stocks by the Exchange, or shall permit the withdrawal by a partner or stockholder of cash or securities, if such member-organization has or should have knowledge that as a result of such transaction or withdrawal the total position of such member-organization plus the aggregate position in all accounts carried by it for its general partners or holders of voting stock subject to the provisions of paragraph (a) of Section 1 of this Rule, in securities so classified, arising out of transactions effected on the Exchange, would exceed the position which such member-organization could finance, in accordance with the regulations of the Board of Governors of the Federal Reserve System and the most recently effective amendments and supplements thereto, by the use of the working capital (including partners' equities) of such member-organization employed in its business and available for such financing; except that no bona fide substitution of commitments consisting of the purchase of securities and the sale of other securities of substantially equivalent value on the same day for investment purposes shall be considered a violation of this Section.

Exceptions

(b) EXEMPTED ACCOUNTS: The provisions of paragraph (a) shall not apply to any account in which there are carried positions resulting only from transactions of any or all of the following types:

(i) Transactions effected by a member of the Exchange acting as a specialist and/or Odd-Lot Dealer, in securities in which such member is registered for any account in which a member-organization is jointly interested with such member;

(ii) Transactions entered into for bona fide arbitrage;

(iii) Transactions entered into in connection with a primary or secondary distribution;

(iv) Transactions entered into in error;

(v) Transactions effected for member-organization account to enable it to fill an order of a customer who has agreed that cash payment in full will be promptly made for securities purchased or that securities sold will be promptly delivered.

Calculation of member-organization working capital

(c) DETERMINATION OF WORKING CAPITAL: In determining working capital employed in the business, the value of exchange memberships, furniture, and other fixed or illiquid assets shall be excluded, and the working capital throughout any day shall be deemed to be the working capital as of the close of business on the preceding day, computed as accurately as possible at market values then current, plus any cash and the value of any securities contributed thereto during said day, and minus any cash and the value of any securities withdrawn therefrom during said day. If upon application of any member-organization it shall appear to the Exchange that daily computation of working capital would be impracticable or would entail undue hardship, the Exchange may permit such member-organization to consider as working capital on any given day during a specified period, the working capital computed as of the close of business on the day preceding the commencement of such period, plus contributions of cash and securities and minus withdrawals of cash and securities made during such period and on or prior to the given day; however, a member-organization which has obtained such permission from another exchange having similar requirements to which such member-organization is subject shall be deemed to have obtained such permission from this Exchange unless the Exchange otherwise directs.

(d) WORKING CAPITAL AVAILABLE FOR FINANCING OF STOCK TRANSACTIONS: In determining the working capital available on any day to finance any security position subject to the provisions of paragraph (a) hereof, there shall be deducted any amount necessary to finance commitments carried at the close of business on the preceding day in accounts not subject to the provisions of paragraph (a) hereof, in addition to any amount otherwise unavailable for such financing.

(e) DETERMINATION OF MEMBER-ORGANIZATION POSITIONS: In determining any security position (including a position in a "when issued" security) in any account subject to the provisions of paragraph (a) hereof, securities purchased but not received shall be treated as though such securities had been received and the cost thereof had been debited to the account; and securities sold but not delivered shall be treated as though such securities had been delivered and the proceeds thereof had been credited to the account.

Securities received or delivered on any day otherwise than as a result of a purchase or sale, and securities contributed or withdrawn on any day, and security positions carried over from the preceding day, shall during said day be valued at the closing prices of the preceding day. Securities purchased and sold during any day shall during said day be valued at the prices at which so purchased or so sold. Rights and warrants expiring within ninety days of issuance shall be given no value. "Puts", "Calls", "Straddles" and other options or privileges shall be disregarded.

Keeping and preservation of records

(f) RECORD OF SEQUENCE OF TRANSACTIONS: Each Member-organization which shall effect or cause to be effected on the Exchange transactions in securities classified for trading as stocks by the Exchange for any account subject to the provisions of paragraph (a) hereof, shall promptly prepare and shall cause to be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission a record of all transactions in such account, showing as nearly as practicable the sequence in which they occurred.

••• Supplementary Material: ...

The Board of Governors has approved the following amended margin procedures applicable to Specialist's primary, alternate and trading accounts.

1. Margin requirements will be computed separately on primary, approved trading and approved alternate accounts where the Exchange provides financing for the member specialist. All securities shall be taken at market value. The following margin rates shall apply with respect to securities both long and short in:

- (i) U.S. Government backed Treasury notes or bills 0%
- (ii) Municipal and Corporate bonds 10%
- (iii) Public authorities and revenue bonds 20%
- (iv) Specialist or alternate assigned equities 25%
- (v) Trading accounts 50%
- (vi) Marginable equities (excluding Specialist or Alternate assigned equities)
- (vii) Non-marginable equities 100%

2. For each position in either the primary, trading, alternate or collateral account that exceeds the Specialist Unit's total equity by more than 30%, an additional margin requirement of 15% of the excess will be applied.

3. In the event that the margin in a Specialist's account is below 15% there shall be an immediate margin call which must be satisfied by bringing the account up to 25% margin within one and one half trading hours of such information being brought to the attention of the Specialist or his approved substitute on the Floor of the Exchange. Such margin call can be satisfied by deposit of cash, marketable securities or liquidation.

4. Margin call remedial actions:

(i) In the event that an account has more than two calls within a one month calendar period:

(a) On the third call during this period the member must meet with Market Surveillance and Compliance Department personnel to discuss the problem, review the rules and contemplate remedial actions.

(b) On the fourth call during this period the account will receive a written warning from the Market Surveillance and Compliance Department.

(c) On the fifth call during this period a fine of \$250 will be levied.

(d) On any subsequent call, a fine of \$500 will be levied.

For the purposes of this rule, any consecutive call that carries over to the next business day will be considered as an individual call.

(ii) In the event that an account has more than five calls during any calendar quarterly period:

(a) On the sixth call, during this period the account will receive a written warning, and must meet with the Market Surveillance and Compliance Department personnel to discuss the problem, review the rules and contemplate remedial actions.

(b) On any subsequent call, a fine of \$500 will be levied.

NOTE: Verbal and written warnings will be issued only once during any calendar quarterly period.

(iii) Any of the above sanctions and/or remedial actions imposed by the Market Surveillance and Compliance Department representative may be appealed to the Market Performance Committee upon written notice stating the reasons and/or mitigating circumstances for such appeal.

(iv) At any time, the Market Performance Committee may impose additional sanctions for continued calls including, but not limited to, suspending or closing the trading and/or the alternate account privileges.

(v) EXCEPTIONS: These measures are intended to maintain the financial integrity of the Exchange's marketplace as well as address certain areas of risk on the Exchange where margin calls may be excessive in both frequency and amount. If a Specialist, in the judgment of the Market Surveillance and Compliance Department and concurrence of a Floor Governor, incurs a margin call in the course of fulfilling his obligations as a specialist, the margin call will be exempt from the provisions of paragraphs 3(i), 3(ii) and 3(iii) contained herein. However, the specialist must take prompt action thereafter to satisfy the margin call.

5. Notwithstanding the above, the Market Surveillance and Compliance Department may require any Specialist Unit to bring its book within margin compliance immediately where conditions may warrant such action, after discussion with at least two Members of the Board of Governors and/or the Market Performance Committee.

6. The Market Surveillance and Compliance Department shall act promptly under the authority granted in paragraph (4) of the current margin procedures in the event that they perceive Specialists abusing the spirit of the margin procedures in involving themselves in a pattern of undermargined situations.

Amended.

April 13, 1978.

December 31, 1987.

Chapter IX – Unissued Securities – Margin Requirements

SEC. 1.

Margin Requirements on Unissued Securities

The margin requirements upon "unissued" securities, including rights and warrants, which may be registered upon the Exchange for "when issued" dealings, shall be the same as provided for by the Rules of the Exchange for issued securities but in no instance less than the amounts required by the rules and regulations promulgated in accordance with the provisions of the Securities Exchange Act of 1934.

SEC. 2.

Nature of Contract

The performance of the terms and conditions of a "when issued" contract for unissued securities, including rights and warrants, shall be based upon the issuance of such securities substantially as they were dealt in on the Exchange on the "when issued" basis.

Chapter X – Ex-dates – Buyer's Rights – Due Bills

SEC. 1.

"Cash" and "Ex-dividend" Transactions

Unless the Exchange rules otherwise stocks will sell "ex" any dividend, right or privilege which may pertain to them on the second full business day preceding the record date, except that when the record is taken on a holiday or half-holiday they will sell "ex" on the third preceding full business day.

"Cash" transactions made on the "ex" date and to and including the record date will carry the dividend or rights or other privileges.

Amended.

April 7, 1995.

SEC. 2.

Buyers' Rights

Unless otherwise agreed and except as elsewhere herein provided, the buyer shall be entitled to receive all dividends, rights and privileges, except voting power, accruing during the pendency of the contract on the securities purchased.

Deliveries after ex-date

When a security is sold before it is ex-dividend or ex-rights or other distribution, and delivery is made after the record date, the seller shall pay or deliver to the buyer the distribution made with respect to such security in the following manner, unless otherwise directed by the Exchange:

Due-bill

(a) In the case of stock dividends, rights to subscribe or other distribution, the seller shall deliver to the

buyer, within three (3) days after the record date, either the dividend or rights or other distribution, or a due-bill for such dividend, rights, or other distribution.

Due-bill-check

(b) In the case of cash dividends, the seller shall deliver to the buyer, within three (3) days after the record date, a due-bill-check for the amount of the dividend; a "due-bill-check" being a due-bill in the form of a check payable on the date of payment of the cash dividend, which prior to that date shall be considered as a due-bill.

Return of loan of securities after record date

The same principle shall apply to the return of loans of securities after the record date.

SEC. 3.

Collection Charge

A charge of one per cent may be made for collecting dividends. For scrip or stock dividends the charge shall be computed upon the market value of such scrip or stock.

No charge shall be made for collecting dividends accruing on securities deliverable on a contract.

SEC. 4.

Interest or Premiums on Borrowed Stocks

When securities are borrowed or loaned, the sum agreed upon, either as interest for carrying or as premium for use, shall be paid whether such securities are delivered or not.

SEC. 5. When money or securities are loaned at a premium or for interest, said premium or interest shall apply only to the period for which the loan is made.

SEC. 6.

Assessments

When any assessment shall become due on stocks sold on time, the seller shall be bound to pay such assessment; and the purchaser shall pay the amount, with interest, when the contract becomes due.

Chapter XI – Alternate Specialists

SEC. 1.

Registration

A Regular Specialist may be registered as an Alternate Specialist upon application to and with the approval of the Market Performance Committee.

Registration shall apply only to individual members and not to member organizations, although a member organization may designate a member as its agent and such member's transactions as an Alternate may be for the account of the member organization. In the event a member organization wishes to transfer an Alternate account registration from one agent member to another, the approval of the Market Performance Committee is required.

If a Regular Specialist who is approved as an Alternate Specialist merges or forms a joint account with another member organization, he shall retain his individual registration as an Alternate provided the minimum capital and equity requirements are met.

In determining approval or disapproval of an applicant for registration as an Alternate Specialist, the Market Performance Committee will consider the applicant's capital, trading experience, compliance with rules and policies, Specialist Performance Evaluation scores and other pertinent information bearing on the suitability of the applicant.

In order to be registered as an Alternate, a Regular Specialist shall establish that he can meet, at all times, equity of \$25,000 over and above the minimum equity required for his Regular Specialist account.

The stocks for which a specialist is registered as an Alternate may not exceed twice the number of stocks for which he is a Regular Specialist. A request for assignment as an Alternate Specialist in a stock for which an Alternate Specialist already exists must be accompanied by a request for an assignment in a stock for which no Alternate exists.

Any Alternate Specialist may withdraw registration as an Alternate Specialist in a given stock no sooner than six months after registration in the stock. If withdrawal thereafter is in a stock for which there is no other Alternate, the specialist must either relinquish an Alternate stock for which there exists one or more other Alternates or register as an Alternate in another stock that does not have any Alternates.

An approved Alternate Specialist who seeks to either expand the list of stocks in which he is registered as an Alternate, or seeks to substitute stocks, must obtain approval of the Market Performance Committee as to the specific issues involved. However, an Alternate Specialist, at any time, may add to his list any stock in which no Alternate exists provided the necessary capital and equity requirements are met.

SEC. 2.

Transactions

(a) Transactions by an Alternate Specialist may be margined at twenty-five percent (25%).

(b) An Alternate Specialist is obligated to execute 500 shares in a registered stock at the request of a Floor broker holding an unexecuted public customer's order provided that the Floor broker has obtained an execution from the Regular Specialist on that portion of the order subject to the Execution Guarantee Rule as contained in Chapter II, Section 33. Any portion of an order open for execution shall be exposed to all Alternates in that stock by the entering broker.

(c) The priority for participation on an incoming order will be determined based on:

i) Any member liquidating a position will have priority. Where two or more are liquidating a position, size shall have precedence.

ii) In establishing positions, size shall have precedence. Where two or more are bidding for or offering the same amount of shares or for an amount greater than the remaining portion of the order, the order shall be shared equally.

iii) If no Alternate wishes to establish priority then all shall be required to participate equally for amounts up to 500 shares. This applies regardless of whether the execution of the order would result in establishing, increasing or liquidating a position.

••• Supplementary Material: ...

Alternate Specialists are required, generally, to engage in a course of dealings which is consistent with the

maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange.

Purchases and sales by Alternate Specialists must constitute a course of dealings reasonably calculated to contribute toward the maintenance of price continuity with reasonable depth and to minimizing of the effects of temporary disparities between supply and demand, immediate or reasonably to be anticipated.

Transactions by Alternate Specialists on the Exchange must either improve the price of a stock or the depth of the existing market.

No Alternate Specialist is permitted to effect a transaction through the facilities of ITS without first clearing the book of the Regular Specialist.

SEC. 3.

Negligence

Gross negligence in the handling of an order by a Regular Specialist or Alternate Specialists or improper execution of an order shall be regarded as an act detrimental to the interest and welfare of the Exchange, and may be subject to penalties in the By-Laws.

Amended.

October, 1987. May 14, 2012.

Chapter XII – Odd-lot Dealers in Securities the Primary Market for Which is on Another Exchange

SEC. 1 The provisions of this chapter shall apply only to dealings in odd-lots of securities the primary market for which is another exchange.

Dealer-Specialists must fill orders for odd-lots of securities on the following basis:

(a) Standard odd-lot market orders received prior to the opening shall be executed at the primary opening price. An odd-lot differential may not be charged on these orders.

(b) Standard odd-lot market orders received after the opening will receive an execution price based on the best consolidated quotation in the stock at the time such orders are received, i.e. buy orders will be executed on the best consolidated offer and sell orders will be executed on the best consolidated bid. No odd-lot differential shall be charged on these orders.

(c) In instances where quotation information is not available (e.g., when the quotation is in a "nonfirm" mode) standard odd-lot market orders will be executed on the last consolidated round-lot sale. An odd-lot differential may be charged on these orders.

(d) Standard odd-lot market orders received after a trading halt and prior to the resumption of trading will be executed at the price at which trading resumes. An odd-lot differential may not be charged on these orders.

Limited-price orders

(e) Odd-lot limit orders shall be executed in accordance with the procedures applicable to round-lot limit orders and no odd-lot differential shall be charged on these orders.

Ceasing to fill orders

(f) No Dealer-Specialist shall discontinue filling orders in any stock in respect to which he is registered except upon at least 72 hours' notice to the Exchange provided, however, that in an unusual and extreme situation, and for cause shown, the Chairman of the Board of Governors of the Exchange, or, in his absence, a majority of the Governors who are present on the Floor at the time a decision is required, may waive such notice period.

Amended.

June 26, 1972. March 20, 1975. May 1, 1975. December 7, 1977. June 30, 1980. April 12, 1985.

Renumbered.

March 19, 1982.

Procedures for the Pricing of Standard Odd-lot Market Orders in AT&T and Equity Issues Created as a Result of Divestiture

Rescinded April 12, 1985.

Chapter XII-B – Rules for Trading by Odd-lot Dealers in Round Lots of Securities the Primary market for Which Is on Another Exchange

Rescinded March 19, 1982.

Chapter XII-C – Dealings in Securities, the Primary Market for Which Is on Another Exchange When Such Exchange Shall Be Closed

Rescinded March 19, 1982.

Chapter XIII – Odd-lot Dealers in Fully Listed Securities Having Primary Market on this Exchange

Odd-lot Dealers in Fully Listed Securities Having a Primary Market on this Exchange

The provisions of this Chapter shall apply only to dealings in odd-lots of securities which are fully listed on and which have a primary market on this Exchange.

Registration

- (a) A member or member-organization may be registered as an Odd-Lot Dealer in a security or securities which are fully listed on and which have a primary market on this Exchange.
- (b) Registration shall be by application to and with the approval of the Exchange.
- (c) Unless otherwise provided by the Exchange in any particular case, registration shall become effective on the first full business day following approval of the application. Unless otherwise provided by the Board of Governors, registration may not be terminated except upon 72 hours' notice.

Unit of trading

- (d) The unit of trading in any security in which an Odd-Lot Dealer is registered pursuant to this Chapter shall be fixed by the Exchange. Any number of shares less than the unit so established will be an odd-lot.

Execution

- (e) On and after the effective date of registration, all orders for odd lots as defined herein shall be executed on the basis of the first effective round-lot transaction a security or securities which are fully listed on and which have a primary market on following receipt by the member executing the order of the odd-lot order and at the price differential prescribed by the Exchange for that security.
- (f) If the condition of the market in any security at any time is such that an effective round-lot transaction does not occur, then the price at which the odd-lot order is to be executed may be determined by agreement between the buyer and the seller, subject, in each case, to approval by the Exchange.

Limitation on orders

- (g) No member shall be required to accept orders from a single customer in a single security which orders in the aggregate total more than the unit of trading, to be executed against a single round-lot transaction.

Chapter XIV – Independent Floor Brokers

Independent Floor Brokers

Registration

- (a) A member or member-organization may be registered as an Independent Floor Broker upon application to and with the consent of the Exchange. Such registration provides for the execution of orders on behalf of the following:

1. The Independent Floor Broker's public customers;
2. Other members on the floor (non-Dealer-Specialist activity);
3. Members of the Exchange who do not have their Exchange member on the floor.

(b) An Exchange member registered to act solely as an Independent Floor Broker must:

1. Establish and maintain on deposit with the Exchange at all times no less than \$25,000 in cash or securities, or such greater amount, as determined by the Market Performance Committee;
2. Pass the Exchange-administered Floor Member Examination.

Account Limitation

(c) No Independent Floor Broker shall initiate transactions while on the floor, for an account in which he has an interest unless such member is registered as a Dealer-Specialist with the Exchange and unless the Exchange has approved of his so acting as a Dealer-Specialist and has not suspended or withdrawn such approval.

Adopted.

March 11, 1986.

Floor Clerks

Any individual desiring registration as a floor clerk must (i) submit an application to the Exchange, (ii) be fingerprinted, and (iii) pass the Exchange-administered Floor Member Examination.

Adopted.

March 11, 1986.

Chapter XV – Specialists

SEC. 1.

Registration

Application

(a) A member may be registered as a Specialist in any security listed and registered or admitted to unlisted trading privileges on the Exchange upon application to and with the consent of the Exchange. The Exchange shall determine in what securities a Specialist shall be registered and the amount of capital to be required in the conduct of the business. Such registration may be revoked or suspended at any time by the Exchange.

Eligibility

(b) An Exchange member who requests to be registered as a Specialist must (1) be associated with an existing or newly created Specialist unit approved by the Exchange; (2) complete a training period deemed adequate by the Market Performance Committee; (3) pass the Exchange-administered Floor Examination; and (4) ensure that the Specialist unit with which he is to be associated meets the Exchange's financial requirements.

Investigation and Acceptance by the Exchange

(c) Upon receipt of an application to become a Specialist, the Market Performance Committee shall review the background of the applicant and/or its associated persons and shall, within 60 days, notify the applicant of acceptance or rejection.

Minimum Number of Stocks

(d) Each member registered as a Specialist must register and act as Specialist in not less than twenty (20) stocks, of which at least fifteen (15) must be competitively traded through the Intermarket Trading System ("ITS"). A Specialist associated with another Specialist registered in the minimum number of stocks, as set forth above, shall register and act as Specialist in not less than fifteen (15) stocks competitively traded through ITS.

Member Agent

(e) A Specialist may, with the consent of the Exchange, appoint a member to be the agent of the Specialist on the Floor of the Exchange, and may compensate such agent, provided, however that such agent shall be authorized and empowered to do any and all things necessary or appropriate to perform the functions and discharge the obligations of the Specialist under this Chapter, and provided that the Specialist shall be responsible for all acts or omissions to act by such agent in relation to the securities in which the Specialist is registered.

Function

(f) As a condition of a member being registered as a Specialist, in addition to the execution of commission orders entrusted to him and the performance of his obligations as an odd-lot dealer in such securities, a Specialist is to engage in a course of dealings for his own account to assist in the maintenance, insofar as reasonably practicable, of a fair and orderly market on the Exchange in such securities in accordance with and when viewed in relation to the criteria set forth in subsections (d) and (e) of this section and the commentary thereto. If the Exchange shall have found any substantial or continued failure by a Specialist to engage in such a course of dealings, the registration of such Specialist shall be subject to suspension or revocation by the Exchange in one or more of the securities in which he is registered. Nothing herein shall limit any other power of the Board of Governors under the Constitution or any rule of the Exchange with respect to the registration of a Specialist or in respect of any violation by a Specialist of the provisions of this chapter.

••• Commentary: ...

.01 Whenever a Specialist effects a principal purchase of a specialty stock in another participating market center through ITS or otherwise, at or above the price at which he holds orders to sell that stock, he must fill such orders which remain unexecuted on the Floor by buying the stock for his own account at or above the price at which he effected his principal transaction through ITS or otherwise, unless effecting such a principal transaction on the Floor at that price, would (a) be inconsistent with the maintenance of fair and orderly market or (b) result in the election of stop orders.

.02 Whenever a Specialist effects a principal sale of a speciality stock in another participating market center through ITS or otherwise, at or below the price at which he holds orders to buy that stock, he must fill such orders which remain unexecuted on the Floor by selling the stock for his own account at or below the price at which he effected his principal transaction through ITS or otherwise, subject to the same conditions as set forth in .01(a) and (b) above, and provided further that effecting such a principal transaction on the Floor at that price would not be precluded by the short sale rules or would not result in a sale to a stabilizing bid.

.03 When a Specialist receives a pre-opening response from another market center to a preopening

notification as defined in the ITS Plan, and that response indicates that the other market center has an interest in participating in the opening transaction as principal, such interest of the other market center shall not have preference over public orders. The manner and extent to which the other market center may participate as principal in the opening transaction shall be as set forth in the provisions of the ITS Plan covering the Pre-opening Application.

Amended.

May 18, 1994.

August 31, 1994.

SEC. 2.

Responsibilities

General

(a)(1) An Exchange member who is registered as a Specialist is accountable to the Exchange and the investing public for the quality of the Exchange markets in the securities in which he is registered. He is responsible for fostering and maintaining liquid and continuous, two-sided auction markets on the Floor in those securities. This is accomplished by his acting as agent and principal in such securities in accordance with the provisions of Federal and Exchange rules and policies, to help ensure that such markets are fair, orderly and operationally efficient in the public interest and competitive with non-Exchange markets in those securities.

••• *Commentary:* ...

.01 A "fair" market is one which is free from manipulative and deceptive practices and which affords no undue advantage to any of the participants therein.

.02 An "orderly" market is one with regularity and reliability of operation, manifested by the presence of price continuity and depth. This is exhibited by the avoidance of large and unreasonable price variations between consecutive sales on the consolidated tape for dually listed issues and on the BSE "tape" for solely listed issues and the avoidance of overall price movements without appropriate accompanying volume.

(2) A Specialist's continuing registration in the securities in which he is registered is dependent upon the satisfactory performance of his responsibilities as a Specialist as defined in Federal and Exchange rules and policies and the Code of Acceptable Business Practices for Specialists. A Specialist's registration, in one or more of the securities in which he is registered, may be suspended or terminated by the Market Performance Committee upon a determination that he has not satisfactorily performed his responsibilities as a Specialist.

Primary Duties as Agent

(b) As agent, the Specialist is required to:

(1) hold the interests of orders entrusted to him above his own interests and fulfill in a professional manner all other duties of an agent, including, but not limited to, ensuring that each such order, regardless of its size or source, receives proper representation and timely, best possible execution in accordance with the terms of the order and the rules and policies of the Exchange.

(2) act as a catalyst in the markets for the securities in which he is registered by professionally and impartially servicing the interests of other members; be helpful, communicative, cooperative and professional; make reasonable efforts to bring together buyers and sellers without interfering as principal unless reasonably necessary to the performance of his duties; and act together with all members involved to ensure that the needs of all parties are considered in an equitable manner.

(3) effectively perform the administrative duties with respect to orders entrusted to him as agent, including, but not limited to, cooperating with other members in the confirmation of open orders and issuing timely and accurate status and execution reports.

(4) ensure that his acceptance and execution of orders as agent are in compliance with applicable Federal and Exchange rules and policies.

Primary Duties as Principal

(c) As principal, the Specialist is required to:

(1) buy and sell securities when such transactions are necessary in the public interest to minimize an actual or reasonably anticipated imbalance between supply (offers at or near the last sale price) and demand (bids at or near the last sale price) in the Exchange market, where the absence of his transactions could otherwise result in an unreasonable lack of continuity and/or depth.

(2) make continuous, two-sided markets in the securities in which he is registered and buy and sell those securities in a manner that enhances the depth and liquidity of the Exchange market and the competitiveness of the Exchange market with other markets in those securities.

(3) effect transactions when necessary to fulfill his duties as principal and ensure that quoted markets and transactions are in the public interest by being reasonably calculated to contribute to the maintenance of price continuity with reasonable depth in view of the general market, the market in the particular security and the adequacy of his total position in such security with respect to the actual or reasonably anticipated needs of the market.

(4) act in accordance at all times with applicable Federal and Exchange rules and policies in a manner which does not upset the natural forces of supply and demand, by avoiding transactions which are excessive in view of the market for such security.

(5) ensure that each opening and reopening price (when Boston is operating as the primary market) reflects a professional assessment of market conditions at the time, with due consideration given to the balance of supply and demand as reflected by public orders.

(6) trade in a manner which reflects an awareness of his financial resources, reporting to the Exchange any actual or imminent financial problems.

Other Duties

(d) In addition, the Specialist is required to:

(1) ensure the orderly functioning of the trading crowd by exercising leadership and objectively in observing trading crowd activity and order-flow, seek the advice and assistance of a member of the Market Performance Committee or a Floor Governor when required, and request delays in openings or trading halts when called for by unusual market conditions.

(2) abide by applicable Federal and Exchange rules and policies with respect to contact with companies in whose securities he is registered.

••• Commentary: ...

.01 In order to foster a positive professional relationship between the Exchange and listed companies and to educate company representatives regarding the workings of the Exchange's market system, the Specialist is permitted to have periodic contact with representatives of the companies in whose securities he is registered as Specialist.

(3) foster the efficient operation of the Exchange's market process by ensuring the presence of adequate manpower (professional and clerical, full-time or relief) on the Floor at all times and by efficiently processing necessary trade documents and cooperating in the resolution of questioned trades and errors.

(4) keep records required by Federal and Exchange rules, report required information to the Exchange on a timely and accurate basis, and comply with Exchange rules which govern the financing of Specialist operations.

(5) be aware of and abide by all Federal and Exchange rules and policies governing his activities, including, but not limited to, activities in non-speciality securities and trading activities off the Floor, and be aware of and abide by the Code of Acceptable Business Practices for Specialists.

(6) take any other action not prohibited by Federal or Exchange rule or policy, or precluded by professional judgment, to foster and maintain liquid, continuous, two-sided markets on the Exchange and ensure that such markets are fair, orderly and efficient in the public interest and competitive with non-Exchange markets.

Amended.

August 31, 1994.

SEC. 3.

Code of Acceptable Business Practices for Specialists

(a)(1) The Specialist occupies the central position in the Exchange's continuous trading process. Consequently, the manner in which he performs significantly affects the efficiency, competitiveness and overall quality of Exchange markets and largely determines the Exchange's success as a national securities market. In addition, the Specialist occupies a position of public trust and should act at all times in a manner which does not violate that trust. Therefore, it is essential that the Specialist adhere to the highest standards of business and ethical conduct in the performance of all aspects of his job. Failure to do so can be detrimental to the Exchange and can constitute a breach of public trust.

(2) While the Specialist is required to act in accordance with the specific rules and policies which govern his activities, he should avoid actions which are not in keeping with the spirit and intent of those rules and policies or not in accordance with high standards of business and ethical conduct.

(3) The specific items set forth below have been adopted to minimize possible misconceptions as to what constitutes good business practices for Specialists and to guide the Specialist in the performance of his duties. This is not to be construed as a complete list of acceptable business practices, and in circumstances not specifically addressed below, the Specialist should be guided by the spirit and intent of the Exchange rules.

i. Trading Practices

While a Specialist is required to act in accordance with specific trading rules and policies, he should avoid practices and patterns of trading activity which are not in keeping with the spirit and intent of those rules and policies or which might interfere with the fair and orderly functioning of the Exchange's markets in the public interest. When in doubt about the suitability of any action related to his Specialist function, he should immediately consult with a floor member of the Market Performance Committee or a Floor Governor.

ii. Openings

Due to the importance of the opening trade in a stock, a Specialist should (A) provide accurate and complete current opening price indications and pre-opening information, such as the amount of stock paired off and the excess to buy or sell, to inquiring members and

(B) in issues for which the Exchange acts as the primary market, ensure that the opening is not unduly hasty, particularly when at a price disparity from the previous close, and that the price reflects a thorough and professional assessment of market conditions at the time. These practices should also be followed in the case of re-openings.

iii. Cooperation and Communication

In view of his central position in the Exchange's continuous trading process, a Specialist should (A) reflect the depth of the current market, to the extent his agency responsibility allows, to any reasonable member inquiry; (B) provide market information to members in a professional and courteous manner without discrimination; (C) make every reasonable attempt to bring together known buyers and sellers; (D) given a reasonable time frame and lack of substantive change in market conditions, refrain from interfering with a cross when he has previously indicated "no interest"; (E) refrain from interfering with a "clean" agency cross unless his bid or offer has been previously solicited or unless the reasonably anticipated needs of the market require him to do so in order to be able to fulfill his market maintenance responsibilities, and a floor member of the Market Performance Committee or a Floor Governor has been consulted in the event of any disagreement; and (F) ensure that in his absence, the post is properly staffed by his registered relief Specialist.

iv. Stop Orders

When a Specialist has been entrusted with a stop order, he should ensure, consistent with current market conditions, that its execution results from the fair and orderly price movement of the stock and does not result from poor performance or inadequate depth.

v. Operating Practices

In view of his central position in the Exchange market, a Specialist's operating practices can have a significant impact on the competitiveness of the market. Therefore, a Specialist should (A) report executions of orders entrusted to him in a timely and adequate manner;

(B) maintain necessary manpower and supervision of staff to ensure the efficiency of his Specialist operations; (C) readily provide records when necessary to research the status of an order or a questioned trade; (D) cooperate with other members in the resolution and adjustment of errors; (E) cooperate in the implementation and operation of new Exchange procedures and systems; and (F) cooperate in the resolution of inquiries and complaints which relate to the stocks in which he is registered.

Amended.

August 31, 1994. May 14, 2012.

SEC 4.

Precedence to Orders in the Book

The Specialist shall at all times give precedence to orders in the book over the orders which originate with him or his firm as a Specialist, provided his or his customer's orders are market or limit orders at the same price or better.

Amended.

August 31, 1994.

SEC. 5.

Preference on Competitive Basis

All bids and offers in any security shall be made on the Floor at the post of the Specialist. A Specialist shall not have any preference at the post because of that fact; preference shall be determined on a strictly

competitive basis.

Amended.

August 31, 1994.

SEC. 6.

The Specialist's Book

The Specialist's book is the book, file or record in which all orders entrusted to the Specialist in a particular issue must be kept. The information therein contained shall not be divulged or permitted to come to the knowledge of anyone except the Specialist or relief Specialist for that book, or to the Board of Governors, a committee of the Exchange, or the Chairman or Officer designated by him, except that a Specialist may disclose information contained in his/her book:

(i) for the purpose of demonstrating the methods of trading to visitors to the Floor;

(ii) to other market centers in order to facilitate the operation of ITS or any other Application of the System provided, in either case, that at the same time he makes the information disclosed available to all members; or

(iii) to competing specialists in his/her stocks on a summary basis as provided for in the "Procedures for Competing Specialists."

••• Interpretation: ...

.01 A member acting as a Specialist shall supply information relating to limit orders held by such member as provided for in the ITS Plan.

SEC. 7.

Joint Accounts

No Specialist, member organization of which he is an employee, partner, stockholder or associated person, or an employee, partner, stockholder or associated person of such member organization shall directly or indirectly acquire or hold any interest or participation in any joint account for buying or selling on the Exchange, or through ITS or any other Application of the System, any stock in which such Specialist is registered, except for an Exchange approved joint account with an employee, partner, stockholder or associated person of such member organization or another member, allied member or member organization.

Amended.

August 31, 1994.

SEC. 8.

Records

Every Specialist shall keep a legible record of all orders received by him in the securities in which he is registered as a Specialist and of all executions, modifications, and cancellations of such orders. He shall preserve such record and all memoranda relating thereto for a period of not less than three years, the first two years in a readily accessible place. (See other related record-keeping requirements.)

Amended.

SEC. 9.

Opening Listed Stock

Before opening the market in a stock in which the Exchange is the primary market and where unusual conditions exist, the Specialist shall confer with a floor member of the Market Performance Committee or a Floor Governor to receive approval to open the market.

Amended.

August 31, 1994.

SEC.

10. Hours

Every Specialist or his representative authorized to act for him and eligible to make contracts on the Floor of the Exchange shall be on the Floor 45 minutes prior to the opening of each trading session to receive orders, and shall remain there until all transactions have been printed on the Tape.

Amended.

August 31, 1994.

SEC. 11.

Restrictions on Transactions by Specialist

No Specialist, his member organization or any corporate subsidiary, or any officer, partner, limited partner or employee of such organization shall directly or indirectly effect any business transaction with a company or any officer, director or 10% stockholder of a company in whose stock the Specialist is registered.

••• Interpretation and Policies: ...

.01 Specialists may only redeem and create Index Fund Shares on the same terms and conditions as any other investor and only at the net asset value ("NAV").

.02 Nothing in Section 11 should be deemed to restrict a specialist registered in a security issued by an investment company from purchasing and redeeming the listed security, or securities that can be subdivided or converted into the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market in the subject security.

Amended.

August 31, 1994. June 28, 2000.

SEC. 12.

Restriction on Transactions by Issuing Company

No Specialist, his member organization or any corporate subsidiary thereof shall accept an order for the purchase or sale of any stock in which he is registered as Specialist directly (1) from the company issuing such stock, or (2) from any officer, director or 10% stockholder of that company.

Amended.

August 31, 1994.

SEC. 13.

Suspension of Registration

Whenever it shall appear or be called to the attention of the Exchange that a Specialist is violating any of the Rules of the Exchange or the Federal Securities Laws or is conducting business as a Specialist in an unethical manner, the Exchange shall, without the necessity of previous notice, summarily suspend the registration of such Specialist pending the opportunity for a prompt hearing on the apparent violation. Notwithstanding the opportunity for a prompt hearing, upon imposition of the summary suspension of registration, the Secretary shall notify the Securities and Exchange Commission. At the same time, the affected Specialist may immediately file a request with the Commission for a stay of imposition of the suspension of registration in accordance with such procedures as the Commission may provide.

Amended.

August 31, 1994.

SEC. 14.

Claims and Reports against Specialists

All claims and reports against specialists must be made in a timely fashion as indicated below:

- (a) All claims which involve erroneous comparisons must be made within 3 business days of the original trade date.
- (b) All claims relative to the omission of a report which was properly due must be made within 3 business days of the date the order should have been executed.
- (c) All claims relative to the lack of comparison of a reported transaction must be made within 3 business days of the original trade date.

Amended.

August 31, 1994. April 7, 1995. January 3, 2001.

SEC. 15.

Specialist May Not Be Officer of the Issuing Corporation

No Specialist shall be an Officer or Director of a Corporation in whose issue he is registered.

Amended.

August 31, 1994.

SEC. 16.

Status of Orders When Primary Market Closed

Whenever the primary market for any security traded on the Exchange pursuant to unlisted trading

privileges shall close during the normal business hours of the Exchange, the fact of such closing shall be announced on the Floor. After such closing, notwithstanding any other provision of the Rules, all odd-lot and round-lot transactions in the subject securities shall be executed at such prices as shall be mutually agreed upon between the buyer and the seller, and all orders received on the Floor prior to such closing shall be reconfirmed with the originating broker and executed only on the express direction of such broker, unless the Exchange has elected to suspend trading or close.

Amended.

August 31, 1994.

SEC. 17

Specialist Performance Evaluation Program

(a) All Specialists shall be subject to regular evaluation. The Specialist Performance Evaluation Program shall be administered by the Exchange, subject to the supervision of the Market Performance Committee. The Market Performance Committee will determine, from time to time as it deems necessary, which measures under Rule 11Ac1-5 ("Rule 5") of the Act shall be used to evaluate Exchange specialists, and the threshold levels of performance against which specialist will be evaluated in each of the relevant Rule 5 measurements. Measurements and threshold levels will be communicated to all members via Floor Memoranda on a periodic basis, at least thirty days in advance, at least each time a new Rule 5 measurement has been chosen, or a new threshold established. Specialists will be evaluated for competitive stock allocation purposes and any other purposes for which the Market Performance Committee deems it necessary and/or prudent to have objective standards by which it can evaluate all Exchange specialists equally. Any Specialist whose performance is below acceptable levels established by the Market Performance Committee shall be subject to specific improvement actions as determined by the Market Performance Committee as set forth in paragraphs 2156.10 through 2156.80.

(b) In the event that the performance of a Specialist is below acceptable performance levels, notice of such fact shall be given to the Specialist.

(c) Set forth below are the conditions warranting performance improvement action:

(i) Any Specialist who receives a deficient score in one objective measure in any review period shall be deemed to have a deficient performance, and shall be required to attend an informal meeting with the Market Performance Committee to discuss possible methods of improving his/her performance. If any Specialist receives a deficient score in any one objective measure for two out of three consecutive review periods, the Market Performance Committee, which shall take such actions as it deems necessary and appropriate to address the deficient score, including imposing actions as specified in the Supplemental Material.

(ii) Those Specialists that fall below the threshold level for the overall performance evaluation program in any evaluation review period shall be required to appear before the Market Performance Committee, which shall take such actions it deems necessary and appropriate to address the deficient performance. (See Supplemental Material for possible actions.)

(d) The Specialist shall be notified in writing of the basis for such action and shall have an opportunity to submit a written reply no later than ten days after the receipt of such notice.

(e) The Specialist shall also have an opportunity to be heard upon the specific grounds to be considered before the Market Performance Committee and a written record of any such hearing shall be maintained. Following any such proceeding, the Market Performance Committee will inform the Specialist in writing of its decision and any actions to be imposed, and its reasons therefore. The decision of a majority of the members of that Committee shall be final, subject to the power of the Board of Governors to review such

decision in accordance with the provisions of Article II, Section 6 of the Constitution.

••• **Supplementary Material:** ...

.10 Stock Reallocation --Notice of Particular Stock --Together with written notice of the specific grounds to be considered as the basis for withdrawal of approval, the Market Performance Committee will give the member written notice of the particular stock or stocks to be considered for withdrawal of approval and give a written explanation of the basis on which the stock or stocks were selected.

.20 Stock Reallocation --Selection of Particular Stocks --In designating a particular stock or stocks to be considered as the basis for withdrawal of approval, the Market Performance Committee shall consider indications of weaknesses in specialist performance in individual stocks to the extent such indications are available. Such indications of weak performance may include, among other factors, references to a particular stock by those responding to initial or supplemental evaluation questionnaires, references in such questionnaires to weaknesses in performance of a type which relate to a particular stock or groups of stocks, and/or indications of weaknesses as demonstrated by the objective measures in such stock or stocks.

When the available measures of Specialist performance indicate weak performance generally, and not precisely in any particular stock or stocks, the Market Performance Committee may decide nonetheless to withdraw approval for a particular stock or stocks. In any case, the Market Performance Committee will exercise its best judgment to select a stock or stocks as to which a reallocation by the Stock Allocation Committee is likely to result in improved Specialist performance.

.30 Trading and/or Alternate Specialist Account Suspension --A Specialist that meets a condition for review subject to the Specialist Performance Evaluation Program criteria after one review period resulting in a deficient score for the overall evaluation program or for two review periods with a deficient score in any one objective measure shall be put on notice that approval for his or her trading account or Alternate Specialist Account may be suspended if the Specialist receives a deficient score in the subsequent review period and may continue until the Specialist's scores meet the threshold levels as set forth in Paragraph 2156(d).

.40 Other Action --The Market Performance Committee, in addition to the foregoing actions, may take such other action as it deems appropriate to address deficient performance of a Specialist.

.50 While reallocated stocks will not be restored upon the improved performance of a Specialist, a Specialist may, with the approval of the Market Performance Committee, have lifted one or more of the actions previously imposed.

.60 The Market Performance Committee, in determining which action(s) should be applied against a deficient Specialist, will use the following guidelines to determine the order of actions, but in its discretion may apply them in any order or may apply more than one in a given situation: (i) Suspension of trading account privilege.

(ii) Suspension of Alternate Specialist account privilege.

(iii) Stock reallocation.

.70 In the event that a Specialist is ranked in the bottom ten percent but does not fall below the threshold level for the overall evaluation program, Exchange staff will review the performance of the Specialist to determine if there is sufficient reason to warrant informing the Market Performance Committee of potential performance problems.

Amended.

March 20, 1975. May 1, 1975. December 7, 1977. September 11, 1978. March 19, 1982. January 3, 1985. March 11, 1986. October 1988. February 19, 1993. August 31, 1994. August 19, 1996. March 6, 1998. December 28, 1998. October 13, 2004. November 2, 2004

SEC. 18.

Procedures For Competing Specialists

Any specialist can apply to the Exchange to function as a competing specialist pursuant to these procedures:

1. Applications to compete must be directed to the Market Performance Committee in writing and must list in order of preference the stock(s) in which the applicant intends to compete. The Market Performance Committee will use the following guidelines in reviewing an application:

- overall performance evaluation results of the applicant
- financial capability
- adequacy of manpower on the floor
- objection by the regular specialist in a stock, with or without cause

2. Objections to Competition

a. Any objection¹ by the regular specialist to permit competition in one or more of such specialist's stocks² must be in writing on a form designated by the Exchange and filed with the Exchange within 24 hours² of notice³ of the competing specialist's application.

b. A Market Performance Committee meeting will be scheduled to review the reasons for objection, and to determine whether an entering competitor could jeopardize the fair and orderly market maintained by the regular specialist in relation to the stock at issue. The regular specialist will be permitted to appear before the Committee to give the Committee the opportunity to question the regular specialist in regard to the reasons for objection. The applicant (competitor) will also be permitted to appear before the Committee to respond to any issues raised. After the Market Performance Committee renders its decision,⁴ either party may appeal to the Executive Committee and then, if necessary, to the Board of Governors.

c. Pending Market Performance Committee review of any objection, competition in the security may be permitted upon the affirmative determination of a majority of the floor members of the Market Performance Committee, based on the standard set forth in Paragraph b. of this Section 18. Pending the outcome of any appeal process, competition in the security at issue will be permitted. The results of such competition may be used by either the regular specialist in support of their objection, or considered by the Market Performance Committee, Executive Committee, or Board of Governors, in their respective determinations.

3. All applicants must be registered with the Exchange as specialists and must meet the current minimum requirements for specialists set forth in Chapter XV, the minimum capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange. A competing specialist will be subject to all of the rules and policies applicable to a regular specialist.

4. All applicant organizations, existing or newly created, must satisfy the Market Performance Committee that they have sufficient manpower to enable them to fulfill the functions of a specialist as set forth in Chapter XV in all of the stocks in which the applicant will be registered either as a regular or a competing

specialist.

5. The regular specialist will receive all order flow not specifically directed to a competitor.

6. The specialist/competing specialist is responsible for all orders directed to him/her.

7. In any competitive situation, if either the regular specialist to whom a stock was originally assigned or the specialist organization which subsequently received approval to compete with the regular specialist desires to terminate the competition by requesting that it be relieved of the stock that is the subject of the competition, it should so notify the Market Performance Committee at least three business days prior to the desired effective date of such withdrawal. When the regular specialist requests to be relieved of a stock, the stock shall be posted for reallocation by the Stock Allocation Committee. In the interim, if the Market Performance Committee is satisfied that the competing specialist can continue to maintain a fair and orderly market in such stock, the competing specialist shall serve ⁶⁻ as the regular specialist until the stock has been reallocated.

Where there is more than one competing specialist in the stock, Exchange staff shall place the stock with a caretaker until reallocation.

8. Any competing specialist who withdraws his/her registration in a stock will be barred from applying to compete in that same stock for a period of ninety (90) days following the effective date of withdrawal.

9. Notwithstanding the existence of competing specialist situations, there is only one Exchange market in a security subject to competition. Due to the ease of communications on the Floor via the Stentofon System, it will not be necessary to locate competing specialists adjacent to each other. However, all specialists must be responsible for their portion of the published bid and/or offer, and the BEACON System will update quotations accordingly. Also, competitors must cooperate with the regular specialist regarding openings and reopenings to ensure that they are unitary.

10. Because there is only one Exchange market in a security subject to competition, all limit orders sent to the Exchange will be maintained by the BEACON System's central limit book and will be executed strictly according to time priority as to receipt of the order in the BEACON System, irrespective of firm order routing procedures. This rule shall not be applicable where the quotation on the book is for the account of a specialist/competing specialist and another specialist/competing specialist has received an order directed to him. In such event, the specialist/competing specialist can elect to execute the order for his own account at the same price as the other specialist/competing specialist's order, or a better price, or to permit the order to be executed against the specialist/competing specialist's quotation.

11. Competing specialists must keep each other informed and communicate to inquiring Floor brokers the full size of any executable "all or none" orders in their possession since all-or-none orders cannot be represented in the published quote. The competing specialists are expected to represent such orders on a "best efforts" basis to ensure the execution of the entire order at a single price or prices, or not at all.

12. The registration of any competing specialist may be suspended or terminated by the Market Performance Committee upon a determination of any substantial or continued failure by such competing specialist to engage in dealings in accordance with the Constitution and Rules of the Exchange.

Adopted.

May 18, 1994.

Amended.

August 31, 1994.

September 29, 1995.

March 29, 1996.

July 19, 1996.

November 7, 2000.

June 5, 2002.

September 12, 2002.

¹ Only the regular specialist can object to competition in his/her stocks. ² Unless the regular specialist is unavailable, in which case within 24 hours of becoming available. ³ Once an application is received by the Exchange, ⁴ notification will be issued to the regular specialist(s) in whose stocks competition is being sought. All appeals must be submitted within ten (10) business ⁵ days of the final decision of either the Market Performance Committee or the Executive Committee. Once the stock has been reallocated to a regular specialist, that specialist shall not be permitted to object to competition in such stock.

Chapter XVI – Special Offerings

When permitted

(1) Notwithstanding the provisions of other Rules, which might otherwise apply, the Exchange may, subject to the conditions specified in this Rule and to compliance with the provisions contained herein, permit a "Special Offering" (as herein defined) to be made through the facilities of the Exchange, provided that the Exchange (after consulting and with the concurrence of a Governor who is active on the Floor of the Exchange) shall have determined that the regular market on the Exchange cannot, within a reasonable time and at a reasonable price or prices, absorb the particular block of a security which is to be the subject of such Special Offering. In making such determination the following factors shall be taken into consideration, via:

- (a) the price range and the volume of transactions in such security on the Floor of the Exchange during the preceding six months;
- (b) attempts which have been made to dispose of the security in the regular market on the Floor of the Exchange;
- (c) the apparent past and current interest in such security in such regular market on the Floor; and
- (d) the number of shares or bonds and the current market value of the block of such security proposed to be covered by such Special Offering.

Except in special circumstances, a Special Offering will not be permitted unless the offering involves at least 1,000 shares of stock with an aggregate market value of not less than \$25,000, or \$15,000 par value in bonds with an aggregate market value of not less than \$10,000.

Definition --Provision for special commission for placing security

(2) A Special Offering is defined as an offering (designated as a fixed price offering) by one or more members or member-organizations acting for his or its own account or for the account of one or more other persons, for the sale of a block of a security dealt in on the Exchange, through the facilities of the Exchange at a price not in excess of the last sale of such security or the current offer of such security in the

regular market on the floor of the Exchange, whichever is the lower, but equal to or higher than the current bid for such security in such market, whereby the offeror agrees to pay a commission to such members or member-organizations as may accept all or any part of such Offering for the account of their customers; provided, that the security which is the subject of such Offering is a security to which the exemption afforded by Regulation §240. 10(b)-2(d)(1) issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and such amendments thereto as have been or may be from time to time adopted, is available at the time of such Offering.

Conditions

(3) No Special Offering, as provided in these Rules shall be made unless each of the following conditions is complied with, vi:

(a) The person for whose account such Special Offering is to be made shall at the time of such Offering be the owner of the entire block of the security so to be offered, except that for the purpose of stabilizing, there also may be sold for such person's account, or for the account of any member or member-organization offering the block of security on his behalf, as part of the Special Offering, an amount not to exceed 10% of the shares or bonds owned and originally offered in the Special Offering by such person.

(b) The person for whose account such Special Offering is to be made shall include within the Offering all of the security which he then intends to offer within a reasonable time, and there shall be furnished to the Exchange before the Offering is made a written statement by the offeror to that effect or a written statement by his broker stating that the broker has been so advised by the offeror.

(c) A Special Offering shall be automatically suspended so long as an offering exists "regular way" at a price which would permit a purchase at a lower net cost than in the Special Offering. Unless otherwise specifically exempted by the Exchange, every Special Offering shall remain open for a minimum period of 15 minutes, inclusive of any period during which it is suspended by operation of the above provision. A Special Offering which has not been completed in the 15 minute minimum period shall not be withdrawn before completion without the approval of the Exchange.

(d) The person for whose account such Special Offering is made shall agree that during the period such Offering is open, he will not offer in the regular market on the Floor of the Exchange any shares or bonds of the security which is the subject of such Special Offering, unless the prior permission of the Exchange is first obtained.

(e) No member or member-organization shall directly or indirectly receive any part of the commission referred to in paragraph (2) in connection with any purchase for his or its own account or the account of a partner or stockholder thereof or for the account of any other member or member-organization or partner or stockholder thereof, made pursuant to a Special Offering.

(f) A Special Offering shall not be made unless it can be accepted in a lesser amount or amounts than the total of the securities offered.

(g) A Special Offering shall be made for acceptance in round lots or in odd lots, without preference, and in the case of an odd-lot purchase no differential shall be added to the gross purchase price of the Special Offering.

(h) When buying orders in a Special Offering exceed the amount available in the offering, the offered security will be allocated in reasonably proportionate amounts.

When effective

(4) A Special Offering, when approved, shall become effective upon announcement by the Exchange of

the terms and conditions of such Offering.

Terms of offering to be announced --Transaction record --Termination

(5) The terms of a Special Offering shall be announced before it is effective, with a statement, if such be the fact, that stabilizing transactions have been effected or are contemplated and that it is intended to over-allot as permitted by paragraph (3)(a). Transactions effected pursuant to a Special Offering shall be transmitted promptly to the station on the Floor designated for the recording of transactions, and the record shall show the gross price and the commission in a legend such as: "SP OFF 100 XYZ 40 COM 1/2 ", as well as the number of orders involved in such transaction where more than one order is involved. When the Offering is terminated, an announcement to that effect shall be made; and when the intention to stabilize is terminated, such fact shall be announced, together with a statement that stabilizing transactions have been effected, if such be the fact.

Odd lots

(6) Transactions effected pursuant to a Special Offering shall not affect the execution of any outstanding "regular way" odd-lot orders.

Authorization

(7) (a) A Special Offering may be approved and made only if the person or persons for whose account it is proposed to be made shall have specifically authorized such Offering and its terms.

Disclosure

(b) A member or member-organization effecting for the account of a customer a purchase pursuant to a Special Offering shall confirm such transaction to such customer at the offering price and shall not charge to or collect from such customer any commission on account of such transaction.

The confirmation by a member or member-organization to a buyer or seller in a Special Offering shall state in full the terms and conditions of the Special Offering. The confirmation to a buyer shall state at least:

- (1) That the purchase was part of a Special Offering;
- (2) That no commission is to be charged to the customer;
- (3) That the seller is to pay a special commission to the member or member-organization, if such be the fact;
- (4) The amount of such special commission;
- (5) The information announced regarding stabilizing transactions or the intention to stabilize; and
- (6) The nature of the member's or member-organization's interest in the Special Offering, if any, other than its interest as a recipient of the special commission.

(c) A member or member-organization soliciting purchase orders for execution pursuant to a Special Offering shall advise the person so solicited of the terms and conditions of such Offering before effecting any transaction for such person pursuant thereto. Such disclosure shall include at least the items described in items (1) to (6) of paragraph (7)(b).

(d) A member or member-organization with an order for the purchase of a security which is the subject of a Special Offering shall effect such purchase in the regular market whenever a "regular way" offering is available which would permit such purchase at a lower net cost than in the Special Offering. Every order

for purchase in a Special Offering shall be accepted pursuant to the above condition.

Regular commission to broker for offeror

(8) The provisions of Chapter VII with respect to give-up commissions on transactions between members and member organizations shall apply to all such transactions effected in connection with or pursuant to a Special Offering or Special Bid.

Amended.

May 1, 1975.

Chapter XVII – Members Dealing for Own Account

May not take or supply securities named in order

No member, while acting as a broker, shall buy or sell directly or indirectly for his own account, or for that of a partner or stockholder of the member-organization of which he is a partner or stockholder, or for any account in which he or such partner or stockholder has a direct or indirect interest, securities, the order for the sale or purchase of which has been accepted for execution by him or by such member-organization or stockholder or partner, except as follows:

Exceptions: Missing the market

(a) A member who, by reason of his neglect to execute an order, is compelled to take or supply on his own account the securities named in the order, is not acting as a broker;

Make offering above his bid

(b) A member may take the securities named in the order provided (1) he shall have offered the same in the open market at a price which is higher than his bid by 1/8 of 1% if bonds, and by the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41) if stocks, (2) the price is justified by the condition of the market, and (3) the member, if any, who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

Make bid below his offer

(c) A member may supply the securities named in the order, provided (1) he shall have bid for the same in the open market at a price which is lower than his offer by 1/8 of 1% if bonds, and by the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41) if stocks, (2) the price is justified by the condition of the market, and (3) the member, if any, who gave the order shall directly or through a broker authorized to act for him, after prompt notification, accept the trade;

Dealer-Specialists

(d) A registered Dealer-Specialist may take or supply securities named in an order executed for such member-organization provided that such member-organization shall confirm to its customer as a principal;

Odd-lot dealers

(e) A registered Odd-Lot Dealer may take or supply securities in which he is so registered in odd-lot transactions executed under Chapters XII-A and XIII, and in round-lot transactions executed under Chapter XII-B (5);

"On order"

(f) A member, acting as a broker, is permitted to report to this principal a transaction as made with himself when he has orders from two principals to buy and to sell the same security and not to give up, such orders being executed in accordance with Chapter II, Section 18, in which case he must add to his name on the report the words "on order".

Amended.

September 8, 2000.

Chapter XVIII – Conduct

SEC. 1.

Penalties

Acts inconsistent with good order and decorum on the Floor of the Exchange are prohibited and may be punished by a fine not in excess of one-thousand dollars for each offense or, by a two-thirds vote of all existing members of the Board of Governors, by suspension for up to sixty days. Members will be held responsible for the conduct of their employees.

Amended.

November 21, 1975.

SEC. 2.

False and Sensational Reports

The circulation of false and sensational reports when such reports are known to be false or when there is no reasonable basis for such reports is prohibited and may be punished as provided in Section 1 of this Rule.

SEC. 3.

Other Penalties

Any of the acts enumerated in this Rule may be found to be acts detrimental to the interest or welfare of the Exchange or to constitute fraud or conduct inconsistent with just and equitable principles of trade, subject to the penalties provided in the By-Laws.

Amended.

May 14, 2012.

SEC. 4.

Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies

(a) In lieu of commencing a "disciplinary proceeding" as provided in BX Rules 9000 Series, the Exchange may, subject to the requirements set forth in BX Rule 9216, impose a fine, not to exceed \$5,000, on any member, member organization, allied member, approved person, or registered or non-registered employee of a member or member organization, for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature, or for any violation of the Exchange's Floor Decorum and Security Policies ("policies").

Adopted.

April 17, 1989.

Amended.

August 20, 1991. April 15, 1993. June 26, 1997. October 1, 2007. May 14, 2012.

SEC. 5

Failure to Respond to Exchange Inquiries

(a) In accordance with Article XIV of the Incorporated Constitution Provisions, for any regulatory purpose that the Exchange deems appropriate under its Constitution and Rules, all Members and Member Organizations of the Exchange, and all associated persons thereof, shall be required to (1) respond orally or in writing to any Exchange inquiry and (2) provide access to its books, records and accounts, as required to be maintained under Section 17(a) of the Securities Exchange Act of 1934, within the timeframe specified by the Exchange in its request.

Adopted.

December 2, 1993.

Amended.

May 14, 2012.

Chapter XIX – Wire Connections

Wire Connections

Registration with Exchange --Notice of discontinuance

No member or member-organization shall establish or maintain any wire or radio connection between his or its office and the office of any non-member unless such means of communication shall be registered with the Exchange. Notice of the discontinuance of any such means of communication registered with the Exchange and the reasons for such discontinuance shall be promptly given to the Exchange.

Chapter XX – Employees for the Solicitation of Business

SEC. 1.

Nominal Employment Forbidden

No member or member organization shall employ any person not otherwise to be registered with and approved by the Exchange, prior to obtaining the approval of the Exchange if such member or member organization knows, or in the exercise of reasonable care should know, that such person is subject to one or more statutory disqualifications referred to in the Securities Exchange Act of 1934, as amended.

SEC. 2.

Prior Approval Required

No person shall be employed as a registered representative or otherwise for the solicitation of business without the prior approval of and registration with the Exchange pursuant to the filing of the required form of application (Form U-4).

Member organization[s] who are also member[s] of the New York Stock Exchange or the American Stock Exchange are not subject to the foregoing registration requirements.

SEC. 3.

Types of Registration

There are two types of registration, as follows:

(a) Full Registration, which entitles the registrant to handle any and every type of business on behalf of his member or member-organization employer, after submitting to and passing a written examination satisfactory to the Exchange.

(b) Limited Registration, which entitles the registrant to handle the sale of mutual fund shares only under the following conditions:

(1) Prohibited from soliciting or accepting orders for securities other than mutual funds.

(2) No compensation may be paid to limited employees in connection with the receipt by the member-organization of orders in securities other than mutual funds.

(3) The following information must be submitted:

(a) Name

(b) Residence

(c) Office address

(d) Period of employment by member-organization

(e) Names of other employers with brief job description of such other employment

(f) Date of approval by the N.A.S.D. or qualification pursuant to Rule 15b8-1 under the Securities Exchange Act of 1934.

Principals of all firms who employ limited employees must exercise strict surveillance over such employees under the foregoing prescribed conditions.

Exceptions

The provisions of Section 2(b) and Section 3 of this Chapter shall not apply to the employment of a person whose services are to be rendered outside the New England states or in Fairfield County, Connecticut, provided such employment is approved by the New York Stock Exchange or the American Stock Exchange of which the employer is a member or member-organization.

SEC. 4.

Exchange May Disapprove

The Exchange may disapprove the employment of any employee, irrespective of the place of employment.

Amended.

May 1, 1975.

SEC. 5.

Notice of Termination

The termination of employment of any person, the employment of whom required the approval of the Exchange under the provisions of this Chapter, shall be reported to the Exchange on the required Uniform Termination notice (Form U-5).

Amended.

May 1, 1975.

December 7, 1977.

SEC. 6. Gratuities

(a) No member or member organization or employee thereof shall give any gratuity in excess of \$100 per person per year to any officer or employee of the Exchange, or of another member or member organization or to any officer or employee of a news or financial information medium, bank, trust company, insurance company, or any corporation, firm or individual engaged in the business or dealing, either as broker or principal in stocks, bonds or other securities, bills of exchange, acceptances or other forms of commercial paper, without the prior written consent of the employer and in the case of Floor employees, the prior written consent of the employer and the Exchange.

(b) A gift of any kind is considered a gratuity.

(c) A record shall be retained and be available for inspection by the Exchange for at least three years of each gratuity given to a person covered by (a) above.

Adopted.

January 28, 1985.

Chapter XXI – Advertising and Market Letters

SEC. 1.

False or Misleading Material

It shall be considered conduct inconsistent with just and equitable principles of trade for a member or member-organization, directly or indirectly, to publish, circulate or distribute any advertisement, sales literature or market letter which the member or member-organization knows or has reason to know contains any untrue statement of material fact or is otherwise false or misleading.

SEC. 2.

Definitions

For the purpose of administering this Rule,

(a) "advertisements" shall include any material for use in any newspaper, magazine or other public media

or by radio, telephone recording, motion picture or television;

(b) "sales literature" and "market letters" shall include notices, circulars, reports, newsletters, research reports, form letters, or reprints or excerpts of the foregoing, or reprints of published articles; and

Exceptions

(c) there shall be exempted from the provisions of this Rule

(i) so-called tombstone advertisements, which do no more than identify a security, state its price, offer literature about the security, identify the member or member-organization and state that he or it will execute orders for the security;

(ii) prospectuses or offering circulars which meet the requirements of the Securities Act of 1933 and the rules of the Securities and Exchange Commission thereunder;

(iii) advertisements and sales literature subject to the Statement of Policy of the Securities and Exchange Commission relating to investment companies;

(iv) announcements relating solely to personnel changes of members or member-organizations;

(v) letters addressed to an individual concerning only recommendations or advice relating to the individual or others for whom he may be acting; and

(vi) material intended for internal use and not distributed to the public.

SEC. 3.

Review by Exchange

All advertisements, sales literature and market letters shall be submitted to the Exchange for review within five business days after initial use, unless any such material has already received clearance from or is required to be submitted to another national securities exchange or other regulatory body designated by the Board of Governors as having comparable standards. Copies of all advertisements should be retained by the member or member-organization for at least three years after last publication.

SEC. 4.

Radio and Television Broadcasts

A member or member-organization desiring to make use of radio or television broadcasts for any business purpose, shall first obtain the consent of the Exchange by submitting an outline of the program, unless such member or member-organization has had clearance of the program from some other national exchange or other regulatory body designated by the Board of Governors as having adequate standards of which he or it is a member or member-organization.

SEC. 5.

Responsibility of Exchange

The Exchange cannot be responsible for accuracy and completeness of factual information, nor the opinions of members or member-organizations, in advertisements (including radio and television broadcasts), sales literature or market letters.

SEC. 6.

Contents of Material --Limitations

Advertisements, sales literature and market letters must not contain:

- (a) Promises of specific results.
- (b) Exaggerated or unwarranted claims or unwarranted superlatives.
- (c) Opinions with no reasonable basis.
- (d) Forecasts of future events which are unwarranted or which are not clearly labeled as forecasts.
- (e) References to past specific recommendations which state or imply that the recommendations were or would have been profitable and that these are indicative of the general quality of the recommendations of the member or member-organization.

SEC. 7.

Recommendations

In making recommendations, members and member-organizations must have a reasonable basis for same, and the following matters should be set forth:

- (a) The price at the time the original recommendation is made.
- (b) That the member or member-organization usually makes a market in the issue if such is the case.
- (c) Whether the member or member-organization intends to buy or sell the securities recommended for his or its own account.
- (d) An offer to provide or furnish upon request available investment information supporting the recommendations.
- (e) If material issued refers to past recommendations, all such recommendations as to the same type, kind, grade or classification of securities made by the member or member-organization within the last year. Longer periods of years may be covered if they are consecutive and include the most recent year. The material must name each security recommended, the date and nature of the recommendation (e.g., whether to buy or sell), the price at the time of the recommendation, the price at which or the price range within which the recommendation was to be acted upon, and that the period was one of generally rising or falling markets, if such was the case.

Material may be published which does not make any specific recommendations but which offers to furnish a list of all recommendations made by a member or member-organization within the past year or over longer periods of consecutive years, including the most recent year, if this list contains all the items specified in (e) above.

SEC. 8.

Testimonials and Statements

Testimonial material concerning the member or member-organization or concerning any advice, analysis, report or other investment or related service rendered by the member or member-organization must make clear that such experience is not necessarily indicative of future performance or results obtained by others. Testimonials must also state whether any compensation has been paid to the maker, directly or indirectly, and if they imply an experienced or specialized opinion, the qualifications of the maker of the testimonial

should be given.

Any statement to the effect that any report, analysis or other service will be furnished free or without charge must not be made unless such report, analysis or other service is or will be furnished free and without any condition or obligation.

No claim or implication may be made for research or other facilities beyond those which the member or member-organization actually possesses or has reasonable capacity to provide.

No hedge clauses may be used if they could mislead the reader or are inconsistent with the content of the material.

Advertisements in connection with recruitment of sales personnel must not contain exaggerated or unwarranted claims or statements about opportunities in the banking or securities business.

Each item of advertising and sales literature and each market letter used by any member or member-organization shall be approved by signature or initial, prior to use, by the member, if an individual, or by an officer or partner of such member-organization designated to supervise all such matters.

The Exchange shall have power to prohibit the publication of any advertisement (including radio or television broadcasts) wherever made and irrespective of approval by another exchange or regulatory body.

Chapter XXII – Financial Reports and Requirements – Aggregate Indebtedness – Net Capital

SEC. 1.

Member's and Member-Organization's Statement of Financial Condition

(a) Each member or member-organization who does any business with the public shall file with the Exchange at least twice each calendar year, and oftener if required by the Exchange, at such irregular times as shall be determined by the Exchange, statements of his or its financial condition in such form as shall be prescribed by the Exchange.

Annual Audit

(b) At least once each calendar year, and oftener if required by the Exchange, an audit shall be made by an independent public accountant, approved by the Exchange, in accordance with such regulations as the Exchange may prescribe, of the accounts, including securities held for safe-keeping, of each member or member-organization who does any business with the public, and a report of such audit signed by such member, if an individual, or by an individual member of the Exchange who is a partner or stockholder in any such member-organization and attested by the independent public accountant, shall be made to the Exchange not later than sixty days after the date of audit. The report required by this paragraph (b) shall be made either as a part of a financial statement submitted in accordance with paragraph (a) of this Section, or as otherwise prescribed by the Exchange. For the purpose of complying with this Rule, (1) the scope and comprehensiveness of the audit shall be not less than the requirements prescribed by the Securities and Exchange Commission, pursuant to its Rule 17a-5, as amended, and may be made in satisfaction of that Rule; (2) copies of all reports, supplemental or otherwise, and additional financial statements required to be filed with the Securities and Exchange Commission pursuant to its Rule 17a-5, shall be filed concurrently with the Exchange. Each member and member-organization subject to the provisions of this paragraph (b) shall select an independent public accountant to make such audit, and shall notify the Exchange of the selection before January 10th of each year, submitting, at the same time, a signed copy

of an agreement with such accountant in such form as shall be prescribed by the Exchange. The accountant shall notify the Exchange not later than February 10th of each year as to the scheduled audit date and shall notify the Exchange in writing when the audit has commenced. The accountant shall not be precluded from starting the audit a few days prior to the audit date for the purpose of accomplishing preliminary work. In the event of any change, replacement or termination of the accountant certifying the Annual Report, whether such action was initiated by the accountant or otherwise, the member or member-organization shall, within fifteen days thereafter, file with the Exchange identical copies of the notice and information required to be filed with the Securities and Exchange Commission pursuant to its Rule 17a-5(f)(2).

Exemption

(c) The provisions of paragraphs (a) and (b) of this Section shall not apply to a member or member-organization who is subject to requirements of another national securities exchange which, in the opinion of the Exchange, are similar to those described in the said paragraphs (a) and (b). The Exchange may, however, require that such member or member-organization submit at any time a statement of his or its financial condition in such form as shall be prescribed by the Exchange under paragraph (a) or paragraph (b) of this Section.

Any member or member-organization may be required to report

(d) Any member or member-organization, whether or not he or it does any business with the public, may be required by the Exchange to submit at any time a statement of his or its financial condition in such form as shall be prescribed by the Exchange under paragraph (a) or paragraph (b) of this Section.

Audit report and work papers to be retained

(e) A copy of the answer to each financial questionnaire, and a copy of each audit report prepared by an independent public accountant under the provisions of this Chapter, and all working papers and memoranda relating thereto, shall be retained by the member or member-organization and such independent public accountant for at least three years or for such longer period as may be required by the rules of the Securities and Exchange Commission. All such questionnaires and reports, including all related working papers and memoranda, whether in the custody of the independent public accountant or otherwise, shall be available for audit and review by a representative of the Exchange.

Monthly computations to be submitted and preserved

(f) Every member, or member-organization, whether or not he or it does any business with the public, shall prepare monthly and submit to the Exchange on or before the 20th day of each month, a computation of Net Capital and Aggregate Indebtedness computed in accordance with Section 2 of this Chapter, unless such member or member-organization is subject to a similar requirement of another national securities exchange. In complying with this provision (f) members may, in their discretion, elect not to extend the required computations beyond those that are necessary to establish compliance with (a) the minimum Net Capital requirement, and (b) the limitation of Aggregate Indebtedness to Net Capital. Copies of the required computations, including all related working papers and memoranda, shall be preserved by the member or member-organization for a minimum of two years or for such longer period as may be required by the rules of the Securities and Exchange Commission.

Immediate report required of any capital deficiency

(g) Each member or member-organization shall forthwith notify the Exchange in writing if, at any time, his or its Net Capital does not equal or exceed the minimum required under Section 2 of this Chapter, or if his or its Aggregate Indebtedness exceeds 1200 percentum of his or its Net Capital. If either of these conditions continue to exist for more than fifteen (15) consecutive business days after discovery, the member or member-organization shall be restricted from expanding his or its business and shall take such

other measures as the Exchange may determine and deem necessary under the circumstances.

Capital withdrawals require Exchange approval

(h) No member, member-firm or member-corporation shall permit the withdrawal of capital, whether contributed, subordinated, or otherwise, without the prior written approval of the Exchange, if at the scheduled date of withdrawal and after giving effect to such withdrawal, his or its aggregate indebtedness would exceed 1200 percentum of his or its net capital or his or its net capital would fail to equal or exceed the minimum Net Capital required under Section 2 of this Chapter.

Subordinated borrowings require Exchange approval

(i) Subordinated borrowings of cash or fully paid securities by a member or member-organization and included in Net Capital under Section 2 of this Chapter must be evidenced by a subordination loan agreement satisfactory to and approved by the Exchange. Such agreement must contain all of the conditions prescribed by the Exchange, as defined in a 'Guide to Preparation of Subordination Agreements', a copy of which may be obtained from the Department of Member-Firms.

Initial Net Capital

(j) The initial Net Capital of a member or member-organization doing business with the public shall be at least 120% of the minimum Net Capital required to be maintained under Section 2 of this Chapter.

Additional requirements in special cases

(k) The Exchange may at any time or from time to time in the case of a particular member or member-organization prescribe greater requirements than those prescribed in this Chapter.

Annual 17A-10 Report

(l) Each member or member-organization shall furnish to the Exchange a copy of his or its annual Income and Expense Report, Form 17A-10, promptly after the filing thereof with the Securities and Exchange Commission or any national securities exchange or national securities association pursuant to a plan approved under Rule 17a-10 of the Securities Exchange Act of 1934.

Amended.

December 1, 1972.

February 28, 1973.

October 24, 2005.

SEC. 2

Capital and Equity Requirements

(a) All member and member-organizations shall at all times --

(i) Maintain net capital not less than that prescribed by SEC Rule 15c3-1 (17 CFR 240.15c3-1);

(ii) Be subject to Appendix D of SEC Rule 15c3-1 in regard to Satisfactory Subordination Agreements and

(iii) Be subject to the reporting requirements set forth under SEC Rule 17a-11 and the SEC's Early Warning Rule contained therein.

(b) A member or member-organization using the facilities doing business on the Floor of the Exchange as a floor broker who does not have any public customers shall at all times maintain minimum net capital with the Exchange of at least \$25,000.

(c) A member or member-organization registered as a specialist doing business on the floor of the Exchange, whose business may include floor brokerage for other professionals and who does not carry any customer accounts shall at all times maintain a minimum net capital, as defined by SEC Rule 15c3-1, equal to the greater of (a) \$100,000 or (b) the value of 200 shares of each security in which such specialist is the dealer, marked-to-market at not less than the minimum margin of 25% of market value.

(1) Collateral adjustments to Net Capital for securities valued at less than \$10 (ten dollars) per share when financed by the Exchange are to be applied only to those positions held by the Exchange for the member. --In addition to the haircuts provided for in SEC Rule 15c3-1 or Paragraph (2)(i) below, further haircuts may apply for primary, trading, alternate or collateral positions carried by the Exchange (subsidiary clearing corporation) for the following:

(i) Where a single issue valued less than \$10- per share comprises in excess of 30% of the total equity in an account, such account will be haircut an additional 30% on the excess value for the net capital computation unless conditions warrant a specific exemption.

(ii) Where all the issues valued at less than \$10- (ten dollars) per share together comprise more than 50% of the total equity in an account, such account of the member firm, will be haircut an additional 30% on the excess value for the net capital computation unless conditions warrant a specific exemption.

(iii) The greater of (i) or (ii) above will be applied.

NOTE:

Certain market conditions may warrant specific exemption from the collateral adjustments for issues valued at less than \$10.- per share. These relate solely to the specialist's responsibilities for maintaining fair and orderly markets. Trading accounts will not be exempted under any conditions.

(2) All remaining securities haircuts for Net Capital purposes shall be as follows:

(i) Specialists who do not have any public customers and who do not have an active trading account, (as defined by the Securities and Exchange Commission), shall be haircut 15% on both long and short security positions prior to the required computation.

(ii) Specialists who do not have public customers but have an active trading account, shall be haircut 30% on the greater position, long or short. And, when the lesser position exceeds 25% of the greater position, the excess above 25% of the greater position shall be haircut 15%.

NOTE: In computing net capital all securities shall be taken at market value. Haircut applications shall not apply to any U.S. Government backed treasury notes or bills.

(d) A member-organization using "the facilities" doing business on the floor of the Exchange pursuant to paragraphs (b) or (c) above may utilize subordination agreements in support of net capital and/or equity requirements herein provided such agreements are filed with and accepted by the Exchange on such standard subordination agreements provided by the Exchange. (The Exchange Agreement each contain Instructions and filing requirements therein).

(e) If the Net Capital of a specialist does not equal or exceed the minimum requirements herein for a period of more than five (5) consecutive days, the member or member-organization shall be restricted from expanding his or its business and shall be subject to such other measures as the Market Surveillance and Compliance Staff ("the staff"), with the authority of the Market Performance Committee may deem

necessary under the circumstances.

(1) Remedial Steps for a Capital Deficiency. If an account has a capital deficit, then the member must correct the deficit by 11:00 a.m. on the following business day unless the staff of the Market Surveillance and Compliance Department ("the staff") determines that the violation must be corrected immediately. If the member has not corrected the deficiency, "the staff" may take whatever action is deemed necessary upon consulting a Floor Governor including liquidating positions or freezing the account to correct the deficiency. A capital deficit of any amount is serious. However, deficits under \$500.- will be exempt from this rule provided that the deficit is corrected promptly.

(2) In addition to prompt remedial action the Market Performance Committee has established the following sanctions to be administered by "the staff" as a means of fostering compliance with the Net Capital requirements:

(i) On the first violation --the member will be required to meet with "the staff" to identify the problem, review the rules and to explain what remedial action(s) will be taken by the member.

(ii) On the second violation --the member will receive a written warning from the staff.

(iii) On the third violation --the member will be fined \$500.-.

(iv) On the fourth violation --the member will be fined \$1,000.-.

(3) Any subsequent violations --The Market Performance Committee will review such activity for the purpose of determining whether restrictions and/or disciplinary action may be appropriate.

NOTE: For purposes of determining the number of violations a twelve month period will be used as a reference from the effective date of the rule. Once the verbal and written warnings have been given, these steps will not be repeated.

EXCEPTIONS: If a member, in the judgment of "the staff" and concurrence of a Floor Governor, incurs a capital deficiency as a result of fulfilling his specialist obligations during unusual market activity then the deficiency will be exempted from the sanctions as described in Sections 2 and 3.

(4) Any of the above sanctions and/or remedial actions imposed by the Market Surveillance and Compliance Department representative may be appealed to the Market Performance Committee upon written notice stating the reasons and/or mitigating circumstances for such appeal.

(f) The following minimum EQUITY REQUIREMENTS shall apply to all specialists conducting business on the Exchange floor and shall be required to be maintained with the Boston Stock Exchange Clearing Corporation ("Clearing Corporation"). For those specialists who are members of the Clearing Corporation, up to the amount prescribed pursuant to Rule II, Section 2 of the Clearing Corporation Rules may be utilized by the Clearing Corporation and is deemed Clearing Fund pursuant to Rule II, Section 5 of the Clearing Corporation Rules.

PHASE I

(i) Notwithstanding the foregoing minimum net capital requirements applicable to specialists, effective on and after July 1, 1993, each specialist shall be required to maintain a liquidating equity for each specialist account of not less than \$160,000 in cash or securities.

(ii) If at any time a specialist's equity drops below \$160,000 (but above \$140,000), such specialist will be given an Early Warning Alert notice by the Exchange alerting the specialist of their equity position and their proximity to the maintenance requirement with a statement as to the action that will be taken by the Exchange if the maintenance requirement is violated as contained in (iv) below. A specialist may not

operate under the Early Warning Alert Status continuously for more than sixty (60) business days, except in situations where the specialist is actively seeking additional financing and has requested additional time in writing from General Counsel or in his absence a senior officer of the Exchange who will present such request for exception from the Market Performance Committee or in special circumstances the Executive Committee.

(iii) If a specialist's equity drops below the requirement of \$140,000, such specialist will be required to notify the Exchange as to the steps that are being taken to supply additional equity and such specialist will be given five (5) business days to increase their equity to the minimum requirement of \$160,000.

(iv) If a specialist is unable to increase their equity to \$160,000 within five (5) business days, or if at any time the specialist's equity drops below \$130,000, all of such specialist's stocks will be assigned to another specialists, under a caretaker arrangement for not more than twenty (20) business days. Unless the liquidating equity is increased to the \$160,000 within the twenty (20) business days, the stocks will be subject to allocation to other specialists.

(v) The Market Performance Committee may consider mitigating circumstances and/or market conditions in providing temporary relief or to ascertain alternatives that may be applied where a specialist is unable to maintain the increased requirements on July 1, 1993 or January 1, 1994.

PHASE II

(i) Notwithstanding the foregoing minimum net capital requirements applicable to specialists, effective on and after January 1, 1994, each specialist shall be required to maintain a liquidating equity for each specialist account of not less than \$200,000 in cash or securities.

(ii) If at any time a specialist's equity drops below \$200,000 (but above \$175,000), such specialist will be given an Early Warning Alert notice by the Exchange alerting the specialist of their equity position and their proximity to the maintenance requirement with a statement as to the action that will be taken by the Exchange if the maintenance requirement is violated as contained in (iv) below. A specialist may not operate under the Early Warning Alert Status continuously for more than sixty (60) business days, except in situations where the specialist is actively seeking additional financing and has requested additional time in writing from General Counsel or in his absence a senior officer of the Exchange who will present such request for exception from the Market Performance Committee or in special circumstances the Executive Committee.

(iii) If a specialist's equity drops below the requirement of \$175,000, such specialist will be required to notify the Exchange as to the steps that are being taken to supply additional equity and such specialist will be given five (5) business days to increase their equity to the minimum requirement of \$200,000.

(iv) If a specialist is unable to increase their equity to \$200,000 within five (5) business days, or if at any time the specialist's equity drops below \$160,000, all of such specialist's stocks will be assigned to another specialist(s), under a caretaker arrangement for not more than twenty (20) business days. Unless the liquidating equity is increased to \$200,000 within the twenty (20) business days, the stocks will be subject to allocation to other specialists.

(g) Notwithstanding the foregoing requirements applicable to specialists, each approved trading account and/or alternate specialist account shall be required to maintain at all times a liquidating equity in their account of not less than \$50,000 above the current minimum equity requirement in cash or securities. This additional equity requirement will not affect the early warning alert ranges. If the equity drops below this additional requirement, then activity in either or both accounts must cease immediately until the additional equity requirement is met or the account(s) is closed.

(h) The term liquidating equity is defined as the excess of cash, readily marketable securities and amount due from registered clearing organizations over all liabilities other than satisfactory subordination

agreements.

(i) A member organization shall promptly notify the Exchange if it ceases to be in compliance with the net capital requirements of SEC Rule 15c3-1 and/or the Equity Requirements of paragraphs

(f) and (g) herein: A member or member-organization shall also promptly notify the Exchange of any material unsecured or partly secured loan, drawing in excess of share of profits, or other obligation owed to the member-organization by (i) any person, including subordinated lender, having a capital interest in the member-organization, (ii) any partner, officer, director or employee of the member-organization, or (iii) any corporation, firm or entity in which any partner, officer, director or employee of the member-organization hold office or has a material financial interest. Such notification may show such obligations owed to the member-organization by category without personal identification, except that personal identification shall be made in respect to any person having such obligations equal to five percent of more of the member-organization's debt equity total.

Financial Statements

(j) Broker-dealers assigned to the Boston Stock Exchange as their designated examining authority, while not in contravention of any other regulatory rule or requirement shall;

(i) File an annual unaudited financial statement consisting of FOCUS Part IIA and Schedule I.

(ii) File quarterly FOCUS Part IIA and at calendar year end a Schedule I if they maintain an active trading account.

(iii) Not foregoing the above requirements of (i) and (ii) the broker-dealer shall be required to file an audited or an unaudited financial statement at any time as directed by "the staff" with the concurrence of the Market Performance Committee.

Responsibility of Computations of Net Capital Requirements

(k) It shall be the responsibility of members and partners and officers of member-organizations to effect consistent compliance by their respective organizations with the net capital requirement of the Exchange. The frequency of computations of net capital shall be no less than once a month unless otherwise required by the Exchange. All computations shall be retained for a period of not less than three years.

Restrictions on Operations

(l) Whenever it shall appear to the "the staff" that a member-organization is unable, within a reasonable period, to maintain sufficient Net Capital or that a member-organization is carrying inventories which are excessive in relation to its capital; is failing to maintain necessary operational personnel and facilities, or is engaging in any other activity which casts doubt upon such member-organization's continued compliance with the Net Capital requirements of the Securities and Exchange Commission or the Exchange, the staff with the concurrence of the Market Performance Committee may impose such conditions and restrictions upon the operations, business and expansion of such member-organization and may require the submission of, and adherence to, such plan or program for the correction of such situation as determined to be necessary or appropriate for the protection of investors, other member and member-organizations and the Exchange. For each action taken under this section the member-organization shall promptly be afforded an opportunity for an appeal to the Market Performance Committee, in accordance with the provisions of Section 19(d) of the Securities and Exchange Act.

(m) In the event that a specialist drops below the additional equity requirement to carry an alternate and/or trading account, such specialist shall be notified in writing by the Exchange that the account(s) is inactive. In addition, a specialist may request, in writing, inactive status on an alternate or trading account(s) for any reason and without so stating. In either event, where an account(s) has been inactivated, in order to

reactivate the account(s), the specialist must make a written request of the Exchange and be approved by three (3) floor members of the Market Performance Committee for interim approval subject to ratification by the full committee.

Reporting of Assets and Liabilities Attributable to Broker-Dealers

(n) Broker-Dealers assigned to the Boston Stock Exchange as their Designated Examining Authority ("DEA") are required to:

(1) Submit to the Exchange Financial and Operational Combined Uniform Single Report ("FOCUS") reports, in compliance with Securities and Exchange Commission Rule 17a-5, which must include all assets and liabilities attributable to the broker-dealer.

(2) Report to the Exchange on a quarterly basis (or more often as deemed appropriate by the Exchange), the following:

(a) All assets and liabilities attributable to the broker-dealer or held by another entity for the broker-dealer's account. This shall include:

(i) All checking accounts, brokerage accounts, debts, etc., in the broker-dealer's name or guaranteed by the broker-dealer; and

(ii) Liabilities of other entities, broker-dealers or individuals assumed by the broker-dealer;

(b) A description of any outstanding litigation or contracts which may have a material financial impact on the broker-dealer or its business; and

(c) A pro-forma consolidated capital computation of assets and liabilities of any subsidiary or affiliate for which the broker-dealer guarantees, endorses or assumes directly or indirectly the obligations or liabilities.

(3) Immediately notify the Exchange of any financial matters, including but not limited to litigation and contracts, which may have a material impact on its capital and/or its equity requirements pursuant to Exchange Rules.

Amended.

January 1, 1984. December 31, 1987. July 1, 1993. December 25, 1993. July 11, 1994. September 30, 1994. October 7, 1996. October 24, 2005.

SEC. 3.

Accounts of General Partners or Voting Stockholders Carrying Margin Accounts for the Public

(a) No general partner or holder of voting stock of a member-organization carrying margin accounts for other than members of a national securities exchange and brokers and dealers registered under the provisions of Section 15(b) of the Securities Exchange Act of 1934 shall effect or cause to be effected any transaction in securities, other than transactions entered into in error, for any account (other than an account of his own firm or corporation or an exempted account) in which he has a direct or indirect interest and which is carried by his own firm or corporation or by any broker or dealer, unless such transactions are made on a "cash" basis.

Accounts of member-organizations carrying margin accounts for the public and general partners and voting stockholders in such member-organizations

(b) No member-organization carrying margin accounts for other than members of a national securities exchange and registered brokers and dealers shall

(1) effect or cause to be effected any transaction (other than transactions entered into in error) for any non-exempted account in which such firm or corporation has a direct or indirect interest, or

(2) permit a general partner or holder of voting stock to effect or cause to be effected any transaction for any non-exempted account on the books of the firm or corporation in which he has a direct or indirect interest, or

(3) withdraw or permit a general partner or holder of voting stock to withdraw cash or securities.

if in any case such firm or corporation has or should have knowledge that as a result of any such transaction or withdrawal the aggregate market value of (1) the security positions in non-exempted accounts of such firm or corporation and (2) the security positions in all non-exempted accounts of its general partners on the books of the firm which are considered in the computation of the net capital of the firm would exceed the net capital of the firm or corporation computed in accordance with the requirements of the Exchange, except that securities and "spot" commodities shall be credited at their full market value.

Exempted Accounts

(c) The exempted accounts referred to in paragraphs (a) and (c) of this Rule shall be accounts which contain only transactions or positions in securities involved in or resulting from the following:

(1) Transactions for the account of a firm or a general partner thereof or a corporation or holder of voting stock thereof while acting as a Dealer-Specialist, in securities in which he or his firm or corporation is registered;

(2) Transactions for the account of a firm or a general partner thereof or a corporation or holder of voting stock thereof while acting as an Odd-Lot Dealer, in securities in which he or his firm or corporation is registered;

(3) Transaction for a joint account, in which the only participants are the member-organization carrying such account and a registered Dealer-Specialist and/or Odd-Lot Dealer, in securities in which such Dealer-Specialist and/or Odd-Lot Dealer is registered, provided such account has, upon application by the member-organization carrying such account, been approved by the Exchange as an exempt account for the purposes of this Rule.

(4) Transactions entered into for *bona fide* arbitrage;

(5) Transactions entered into in connection with a primary or secondary distribution provided:

(i) that as to a primary distribution, a registration statement under the Securities Act of 1933 is in effect as to the security, or the issuance of the security is subject to the provisions of Section 20a of the Interstate Commerce Act; or

(ii) that in the case of a secondary distribution of a security dealt in on the Exchange, it has been approved by the Exchange; or

(iii) the Exchange exempts the transactions as involving a bona fide primary or secondary distribution of securities not acquired in the open market.

(6) Transactions effected for the account of a member-organization or a general partner or holder of voting stock thereof to enable it or him to fill an order of a customer who has agreed that cash payment in full will be promptly made for securities purchased or that securities sold will be promptly delivered;

(7) Short sales provided that, in addition to the proceeds of the sale, cash equal to the cover value of all securities short in the account, or securities having an equivalent loan value, are maintained in the account;

(8) Purchases for the account of a member-organization, in the regular course of its business as a dealer, of obligations or preferred stocks of an investment character for the purpose of making a merchandising profit (as opposed to the purpose of holding for appreciation or investment), and covered by the first four ratings by any of the nationally known statistical services; and

(9) Transactions in securities exempted from registration under the Securities Exchange Act of 1934 otherwise than by action of the Securities and Exchange Commission.

SEC. 4.

Report of Borrowing by Members and Allied-Members

Every member, allied-member and member-organization is required to report forthwith to the Exchange the following:

- (a) Each loan in the amount of \$2,500 or more (whether of cash or securities) obtained by him or it; and
- (b) Each loan in the amount of \$2,500 or more (whether of cash or securities) to any member, allied-member or member-organization; provided, however, that no report shall be required with respect to:

Exemptions

- (1) Any loan fully secured by readily marketable collateral so long as such loan remains so secured;
- (2) Any loan of securities made by the borrower for the purpose of effecting delivery against a sale where money payment equivalent to the market value of the securities is made to the lender and such contract is marked approximately to the market;
- (3) Any loan on a life insurance policy which is not in excess of the cash surrender value of such policy;
- (4) Any loan obtained from a bank, trust company, monied corporation, or fiduciary on the security of real estate;
- (5) Any loan transactions between general partners or holders of voting stock of the same member-organization; or
- (6) Any loan transaction which is reported to another national securities exchange under a similar rule.

Amended.

October 24, 2005.

Chapter XXIIA – Blanket and Fidelity Bonds

Blanket and Fidelity Bonds

Each member, member-firm and member corporation doing business with the public shall carry fidelity bonds covering the member and his employees, general partners and employees, or covering officers and employees in such form and in such amounts as the Exchange may require.

The required minimum coverage of the fidelity bond will vary with the type of business done by the member or member-organization and with his or its minimum net capital requirement, as follows:

Basic Minimum Coverage

1. Members or member-organizations whose only business involves customers' accounts that are carried by another member or member-organization on a disclosed basis \$25,000
2. Members or member-organizations carrying accounts for or doing a principal business with non-members:

*Net Capital Requirements Under Chapter XXII of the Rules

25,000 to 50,000	50,000
50,000 to 75,000	75,000
75,000 to 100,000	100,000
100,000 to 200,000	200,000
200,000 to 300,000	300,000
300,000 to 400,000	400,000
400,000 to 500,000	500,000
500,000 to 700,000	600,000
700,000 to 1 million	800,000
and 1,000,000 and over... such amounts as the Exchange may recommend	

*The highest net capital requirement during the preceding 12 months will determine coverage.

In addition to the basis brokers blanket bond, the following minimum coverages are required:

- 1) Misplacement and check forgery --at least the amount of basic bond minimum requirement.
- 2) Fraudulent trading and security forgery --the greater of \$25,000 or 25% of the basic minimum requirements with a maximum of \$200,000.**

* * Fraudulent trading coverage not required of individual memberships or partnerships having no employees.

Each member and member-organization required to carry the above forms of insurance shall notify the Exchange in writing if such insurance is entirely or partially cancelled and the reasons therefor.

The provisions of this Chapter shall not apply to a member or member-organization who is subject to requirements of another national securities exchange or the National Association of Securities Dealers.

Chapter XXIII – Stamp Taxes – Securities and Exchange Commission Fee

SEC. 1.

Failure to Affix Stamps

In order to constitute a good delivery, all deliveries on sales of stock must be accompanied by a sales ticket stamped in accordance with the laws of the Federal government and of such states as may require, providing for a tax on transfers of stock. Any wilful failure on the part of a member, allied-member or member-organization to affix the stamps required by law will be deemed by the Board of Governors an act detrimental to the interest and welfare of the Exchange. It is to be understood, however, that the seller is not to be obliged to pay tax for more than one state.

SEC. 2.

Regulatory Transaction Fee

So long as the Exchange shall be registered as a national securities exchange, there shall be paid to the Exchange by each member or member-organization monthly in such manner and at such time as the Exchange shall direct, a regulatory transaction fee. The monthly regulatory transaction fee shall equal the member's aggregate dollar amount of covered sales occurring that month (other than those resulting from options transactions) divided by the Exchange's aggregate dollar amount of covered sales (other than those resulting from options transactions) occurring that month, multiplied by the Section 31 fees payable by the Exchange to the Commission for that month (other than those resulting from options transactions).

Amended.

May 1, 1975.

April 8, 1981.

December 23, 2004.

SEC. 3.

Stamps --Where to Be Purchased

The purchase of stock transfer tax stamps from other than the agencies authorized by law, or the failure to cancel said stamps when used, as provided by law, will be deemed an act detrimental to the interest and welfare of the Exchange.

Amended.

May 11, 1975.

Chapter XXIV – Portfolio Depository Receipts

Sec. 1.

Applicability

This Chapter is applicable only to Portfolio Depository Receipts. Except to the extent inconsistent with this Chapter, or unless context otherwise requires, the provisions of the Constitution and all other rules and policies of the Exchange shall be applicable to the trading on the Exchange of Portfolio Depository

Receipts. Portfolio Depositary Receipts are included within the definition of "security" or "securities" as such terms are used in the Constitution and Rules of the Exchange.

Adopted.

February 12, 1998.

Amended.

March 24, 2005.

Sec. 2.

Definitions

The following terms shall have the meanings specified herein:

(a) The term "Portfolio Depositary Receipt" means a security that (i) is based on a unit investment trust ("Trust") which holds the securities which comprise an index or portfolio underlying a series of Portfolio Depositary Receipts; (ii) is issued by the Trust in a specified aggregate minimum number in return for a "Portfolio Deposit" consisting of specified numbers of shares of stock plus a cash amount; (iii) when aggregated in the same specified minimum number, may be redeemed from the Trust which will pay to the redeeming holder the stock and cash then comprising the "Portfolio Deposit"; and (iv) pays holders a periodic cash payment corresponding to the regular cash dividends or distributions declared with respect to the component securities of the stock index or portfolio of securities underlying the Portfolio Depositary Receipts, less certain expenses and other charges as set forth in the Trust prospectus.

(b) The term "Reporting Authority," with respect to a particular series of Portfolio Depositary Receipts, means the Exchange, an institution (including the Trustee for a series of Portfolio Depositary Receipts), or a reporting service designated by the Exchange or by the exchange that lists a particular series of Portfolio Depositary Receipts (if the Exchange is trading such series pursuant to unlisted trading privileges) as the official source for calculating and reporting information relating to such series, including, but not limited to, (i) any current index or portfolio value; (ii) the current value of the portfolio of securities required to be deposited to the Trust in connection with the issuance of Portfolio Depositary Receipts; (iii) the amount of any dividend equivalent payment or cash distribution to holders of Portfolio Depositary Receipts; (iv) net asset value; or (v) other information relating to the creation, redemption or trading of Portfolio Depositary Receipts.

Adopted.

February 12, 1998.

Sec. 3.

Disclosure

(a) Members and member organizations shall provide to all purchasers of a series of Portfolio Depositary Receipts a written description of the terms and conditions of such securities, in a form approved by the Exchange, not later than the time a confirmation of the first transaction in such a series is delivered to such purchaser. In addition, members and member organizations shall include such written description with any sales materials relating to a series of Portfolio Depositary Receipts that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or to the public making specific reference to a series of Portfolio Depositary Receipts as an investment vehicle must include a statement in substantially the following form:

"A circular describing the terms and characteristics of the *[series of Portfolio Depositary Receipts]* is available from your broker. It is recommended that you obtain and review such circular before purchasing the *[series of Portfolio Depositary Receipts]*. In addition, upon request you may obtain from your broker a prospectus for the *[series of Portfolio Depositary Receipts]*."

(b). A member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Portfolio Depositary Receipts for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this rule.

(c). Upon request of a customer, a member or member organization shall also provide a prospectus for the particular series of Portfolio Depositary Receipts.

Adopted.

February 12, 1998.

Sec. 4.

Designation of an Index or Portfolio

The trading of Portfolio Depositary Receipts based on one or more stock indices or securities portfolios, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. The Portfolio Depositary Receipts based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The stocks that are included in an index or portfolio on which Portfolio Depositary Receipts are based shall be selected by the Exchange or by such other person having a proprietary interest in and authorized use of such index or portfolio, and may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

Adopted.

February 12, 1998.

Sec. 5.

Initial and Continued Listing and/or Trading

A Trust upon which a series of Portfolio Depositary Receipts is based will be traded on the Exchange, whether by listing or pursuant to unlisted trading privileges, subject to application of the following criteria:

(a) Commencement of Trading. For each Trust, the Exchange will establish a minimum number of Portfolio Depositary Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(b) Continued Trading. Following the initial twelve month period following formation of a Trust and the commencement of trading on the Exchange, the Exchange will consider the suspension of trading, the removal from listing, or termination of unlisted trading privileges for a Trust upon which a series of Portfolio Depositary Receipts is based under any of the following circumstances:

(i) the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Portfolio Depositary Receipts for 30 or more consecutive trading days;

(ii) the value of the index or portfolio of securities on which the Trust is based is no longer calculated or available; or

(iii) such other event shall occur or condition exist which, in the opinion of the Exchange, makes future dealings on the Exchange inadvisable.

Upon termination of the Trust, the Exchange requires that Portfolio Depositary Receipts issued in connection with such Trust be removed from Exchange listing or have their unlisted trading privileges terminated. A Trust may terminate in accordance with the provisions of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(c) Term. The term of the Trust shall be stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(d) Trustee. The trustee must be a trust company or banking institution having substantial capital and surplus, and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed as co-trustee.

(e) Voting. Voting rights shall be as set forth in the Trust prospectus. The Trustee of a Trust may have the right to vote all of the voting securities of such Trust.

••• **Interpretation and Policies:** ...

.01 The Exchange will trade, pursuant to unlisted trading privileges, Portfolio Depositary Receipts based on the Standard & Poor's Corporation's S&P 500 Index , known as SPDRs.

.02 The Exchange will trade, pursuant to unlisted trading privileges, Portfolio Depositary Receipts based on the Standard & Poor's Corporation's S&P MidCap 400 Index , known as MidCap SPDRs.

.03 The Exchange will trade, pursuant to unlisted trading privileges, Nasdaq-100 Shares based on the Nasdaq Corporation's Nasdaq-100 Index.

.09 The Exchange may approve a series of Portfolio Depositary Receipts for listing pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(a) Eligibility Criteria for Portfolio Components. Upon the initial listing of a series of Portfolio Depositary Receipts each component of a portfolio underlying a series of Portfolio Depositary Receipts shall meet the following criteria as of the date of the initial deposit of securities to the trust in connection with the initial issuance of shares of such trust:

(i) Component stocks that in the aggregate account for at least 90% of the weight of the portfolio shall have a minimum market value of at least \$75 million;

(ii) The component stocks shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares for stocks representing at least 90% of the weight of the portfolio;

(iii) The most heavily weighted component stock cannot exceed 25% of the weight of the portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the portfolio;

(iv) The underlying portfolio must include a minimum of 13 stocks; and

(v) All securities in an underlying portfolio must be listed on a national securities exchange or The Nasdaq Stock Market (including the Nasdaq SmallCap Market.)

(b) Portfolio Methodology and Calculation. (i) The portfolio underlying a series of Portfolio Depositary Receipts will be calculated based on either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology; (ii) If the portfolio is maintained by a broker-dealer, the broker-dealer shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the portfolio and the portfolio shall be calculated by a third party who is not a broker-dealer; and (iii) The current portfolio value will be disseminated every 15 seconds over the Consolidated Tape Association's Network B.

(c) Disseminated Information. The Reporting Authority will disseminate for each series of Portfolio Depositary Receipts an estimate, updated every 15 seconds, of the value of a share of each series. This may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the portfolio value.

(d) Initial Shares Outstanding. A minimum of 100,000 shares of a series of Portfolio Depositary Receipts is required to be outstanding at commencement of trading.

(e) Minimum Price Variation. The approved Minimum Price Variation ("MPV") shall be as defined in Chapter II, Section 41.

(f) Surveillance Procedures. The Exchange will utilize existing surveillance procedures for the Portfolio Depositary Receipts that it trades pursuant to Rule 19b-4(e).

.10 The approved Minimum Price Variation ("MPV") for dealings in SPDRs and MidCap SPDRs shall be as defined in Chapter II, Section 41.

Adopted.

February 12, 1998. January 4, 1999.

July 27, 1999.

September 8, 2000.

August 31, 2000.

Amended.

August 5, 2002¹
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Sec. 6.

Limitation on Exchange Liability

Neither the Exchange, the Reporting Authority, nor any agent of the Exchange shall have any liability for

damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value; the current value of the portfolio of securities required to be deposited with the Trust; the amount of any dividend equivalent payment or cash distribution to holders of Portfolio Depositary Receipts; net asset value; or other information relating to the creation, redemption or trading of Portfolio Depositary Receipts, resulting from any negligent act or omission by the Exchange, or the Reporting Authority, or any agent of the Exchange or any act, condition or cause beyond the reasonable control of the Exchange or its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of Portfolio Depositary Receipts or any underlying index or data included therein, and the Exchange makes no express or implied warranties, and disclaims all warranties of merchantability or fitness for a particular purpose with respect to Portfolio Depositary Receipts or any underlying index or data included therein. This limitation of liability shall be in addition to any other limitation contained in the Constitution and Rules of the Exchange.

••• **Interpretation and Policies:** ...

.01 The minimum equity requirement for the trading of Portfolio Depositary Receipts by specialists and competing specialists shall be \$200,000. The Early Warning Alert provisions set forth in Chapter XXII, Sections 2(f)(ii) and (iii) and the caretaker provision set forth in Chapter XXII, Section 2(f)(iv) shall apply.

.02 Portfolio Depositary Receipts will not be eligible for alternate account trading.

Adopted.

February 12, 1998.

Amended.

May 7, 2001.

August 6, 2001.

Sec. 7.

Nasdaq-100 Index

The Nasdaq Stock Market, Inc. ("Nasdaq") has licensed the use of the Nasdaq-100 Index for certain purposes in connection with trading in a particular series of Portfolio Depositary Receipts on the Exchange. Nasdaq and its affiliates do not guarantee the accuracy and/or completeness of the Nasdaq-100 Index or any data included therein. Nasdaq, its affiliates, and the Exchange make no warranty, express or implied, as to results to be obtained by any person or entity from the use of the Nasdaq-100 Index or any data included therein in connection with the rights licensed or for any other use. Nasdaq, its affiliates, and the Exchange make no express or implied warranties, and disclaim all warranties of merchantability or fitness for a particular purpose with respect to the Nasdaq-100 or any data included therein. Without limiting any of the foregoing, in no event shall Nasdaq, its affiliates, and the Exchange have any liability for any lost profits or special punitive, incidental, indirect or consequential damages, even if notified of the possibility of such damages. In addition, Nasdaq, its affiliates, and the Exchange shall have no liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the Nasdaq-100 Index.

Adopted.

July 27, 1999.

Chapter XXIV-A – Trust Issued Receipts

Sec. 1.

Applicability

(a) This Chapter is applicable only to Trust Issued Receipts. Except to the extent inconsistent with this Chapter, or unless the context otherwise requires, the provisions of the Constitution and all other rules and policies of the Exchange shall be applicable to the trading on the Exchange of Trust Issued Receipts. Trust Issued Receipts are included within the definition of "security" or "securities" as such terms are used in the Constitution and Rules of the Exchange.

Sec. 2.

Definitions

The following terms shall have the meanings specified herein:

(a) The term "Trust Issued Receipt" means a security (i) that is issued by a trust ("Trust") which holds specified securities deposited with the Trust; (ii) that, when aggregated in some specified minimum number, may be surrendered to the trust by the beneficial owner to receive the securities; and (iii) that pays beneficial owners dividends and other distributions on the deposited securities, if any are declared and paid to the trustee by an issuer of the deposited securities.

Sec. 3.

Disclosure

(a) The Exchange requires that members and member organizations provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

(b) Transactions in Trust Issued Receipts may be effected until 4:00 p.m. each business day.

Sec. 4.

Designation

The trading of Trust Issued Receipts based on one or more securities, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. The Trust Issued Receipts based on particular securities shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Trust Issued Receipts shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person as shall have a proprietary interest in such Trust Issued Receipts.

Sec. 5.

Initial and Continued Listing and/or Trading

Trust Issued Receipts will be traded on the Exchange, whether by listing or pursuant to unlisted trading privileges, subject to application of the following criteria:

(a) Commencement of Trading. For each Trust, the Exchange will establish a minimum number of Trust Issued Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(b) Continued Trading. Following the initial twelve month period following formation of a Trust and commencement of trading on the Exchange, the Exchange will consider the suspension of trading, the removal from listing, or termination of unlisted trading privileges for a Trust upon which a series of Trust Issued Receipts is based under any of the following circumstances:

(i) if the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;

(ii) if the Trust has fewer than 50,000 receipts issued and outstanding;

(iii) if the market value of all receipts issued and outstanding is less than \$1,000,000; or

(iv) if such other event shall occur or condition exists in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of a Trust, the Exchange requires that Trust Issued Receipts issued in connection with such Trust be removed from Exchange listing or have their unlisted trading privileges terminated. A Trust may terminate in accordance with the provision of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(c) Term. The stated term of the Trust shall be as stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(d) Trustee. The trustee must be a trust company or banking institution having substantial capital and surplus, and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed as co-trustee.

(e) Voting. Voting rights shall be as set forth in the Trust prospectus.

••• Interpretation and Policies: ...

.01 The Exchange will trade, pursuant to unlisted trading privileges, Trust Issued Receipts based on the Internet HOLDERS Trust, known as Internet HOLDERS.

.02 The Exchange may approve a series of Trust Issued Receipts for listing pursuant to Rule 19b4(e) under the Securities Exchange Act of 1934 provided each of the component securities satisfies the following criteria:

(a) Eligibility Criteria for Component Securities Represented by a Series of Trust Issued Receipts:

(i) Each Component Security of the Trust Issued Receipt must be registered under Section 12 of the Exchange Act;

(ii) Each Component Security of the Trust Issued Receipt must have a minimum public float of at least \$150 million;

(iii) Each Component Security of the Trust Issued Receipt must be listed on a national securities exchange or traded through the facilities of Nasdaq and a reported national market system security;

(iv) Each Component Security of the Trust Issued Receipt must have an average daily trading volume of at least 100,000 shares during the preceding sixty-day trading period;

(v) Each Component Security of the Trust Issued Receipt must have an average daily dollar value of shares traded during the preceding sixty-day trading period of at least \$1 million; and

(vi) The most heavily weighted Component Security in the Trust Issued Receipt cannot initially represent more than 20% of the overall value of the Trust Issued Receipt.

.03 The eligibility requirements for the Component Securities that are represented by a series of Trust Issued Receipts and that became part of the Trust Issued Receipt when the security was either: (a) distributed by a company already included as a Component Security in the series of Trust Issued Receipts; or (b) received in exchange for the securities of a company previously included as a Component Security that is no longer outstanding due to a merger, consolidation, corporate combination or other event, shall be as follows:

(a) the Component Security must be listed on a national securities exchange or traded through the facilities of NASDAQ and a reported national market system security;

(b) the Component Security must be registered under Section 12 of the Exchange Act; and

(c) the Component Security must have a Standard & Poor's Sector Classification that is the same as the Standard & Poor's Sector Classification represented by the Component Securities included in the Trust Issued Receipt at the time of the distribution or exchange.

Adopted.

January 21, 2000.

Amended.

October 12, 2001.

Chapter XXIV-B – Index Fund Shares

SEC. 1.

Applicability

(a) This Chapter is applicable only to Index Fund Shares. Except to the extent inconsistent with this Chapter, or unless the context otherwise requires, the provisions of the Constitution and all other rules and policies of the Exchange shall be applicable to the trading on the Exchange of Index Fund Shares. Index Fund Shares are included within the definition of "security" or "securities" as such terms are used in the Constitution and Rules of the Exchange.

SEC. 2.

Definitions

The following terms shall have the meanings specified herein:

(a) The term "Index Fund Share" means a security (i) that is issued by an open-end management investment company based on a portfolio of stocks that seeks to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic stock index; (ii) that is issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified numbers of shares of stock and/or a cash amount with a value

equal to the next determined net asset value; and (iii) that when aggregated in the same specified minimum number, may be redeemed at a holder's request by such open-end investment company which will pay to the redeeming holder the stock and/or cash with a value equal to the next determined net asset value.

(b) The term "Reporting Authority" with respect to a particular series of Index Fund Shares means the Exchange, or an institution or reporting service designated by the Exchange, as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of any securities required to be deposited in connection with issuance of Index Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Index Fund Shares, net asset value, or other information relating to the issuance, redemption or trading of Index Fund Shares. Nothing in this section shall imply that an institution or reporting service that is the source for calculating and reporting information relating to Index Fund Shares must be designated by the Exchange, the term "Reporting Authority" shall not refer to an institution or reporting service not so designated.

SEC. 3.

Disclosure

The Exchange requires that members and member organizations provide to all purchasers of newly issued Index Fund Shares a prospectus for the series of Index Fund Shares.

SEC. 4.

Designation

The trading of Index Fund Shares based on one or more securities, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. Each issue of Index Fund Shares shall be based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Index Fund Shares shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person, as shall have authorized use of such index. Such index may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index.

SEC. 5.

Initial and Continued Listing and/or Trading

Each series of Index Fund Shares will be traded on the Exchange, whether by listing or pursuant to unlisted trading privileges, subject to application of the following criteria:

(a) Commencement of Trading. For each Series, the Exchange will establish a minimum number of Index Fund Shares required to be outstanding at the time of commencement of trading on the Exchange.

(b) Continued Trading. Following the initial twelve month period following commencement of trading on the Exchange of a series of Index Fund Shares, the Exchange will consider the suspension of trading, the removal from listing, or termination of unlisted trading privileges for such series under any of the following circumstances:

(i) If there are fewer than 50 beneficial holders of the series of Index Fund Shares for 30 or more consecutive trading days;

(ii) If the value of the index or portfolio of securities on which the series of Index Fund Shares is based is no longer calculated or available; or

(iii) If such other event shall occur or condition exists which in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of an open-end management investment company, the Exchange requires that Index Fund Shares issued in connection with such entity be removed from Exchange Listing.

(c) Voting. Voting rights shall be as set forth in the applicable open-end management investment company prospectus.

••• Interpretation and Policies: ...

.01 The Exchange may approve a series of Index Fund Shares for listing pursuant to Rule 19b4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(a) Eligibility Criteria for Index Components. Upon the initial listing of a series of Index Fund Shares each component of an index or portfolio underlying a series of Index Fund Shares shall meet the following criteria as of the date of the initial deposit of securities to the fund in connection with the initial issuance of shares of such fund:

(i) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio shall have a minimum market value of at least \$75 million;

(ii) The component stocks shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares for stocks representing at least 90% of the weight of the index or portfolio;

(iii) The most heavily weighted component stock cannot exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the index or portfolio;

(iv) The underlying index or portfolio must include a minimum of 13 stocks; and

(v) All securities in an underlying index or portfolio must be listed on a national securities exchange or The Nasdaq Stock Market (including the Nasdaq SmallCap Market.)

(b) Index Methodology and Calculation. (i) The index underlying a series of Index Fund Shares will be calculated based on either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology; (ii) If the index is maintained by a broker-dealer, the broker-dealer shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer; and (iii) The current index value will be disseminated every 15 seconds over the Consolidated Tape Association's Network B.

(c) Disseminated Information. The Reporting Authority will disseminate for each series of Index Fund Shares an estimate, updated every 15 seconds, of the value of a share of each series. This may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value.

(d) Initial Shares Outstanding. A minimum of 100,000 shares of a series of Index Fund Shares is required to be outstanding at commencement of trading.

(e) Approved Minimum Price Variation ("MPV"). The approved MPV shall be as defined in Chapter II, Section 41.

(f) Hours of Trading. Trading will occur between 9:30 a.m. and either 4:00 p.m. or 4:15 p.m. for each series of Index Fund Shares, as specified by the Exchange.

(g) Surveillance Procedures. The Exchange will utilize existing surveillance procedures for Index Fund Shares.

(h) Applicability of Other Rules. The provisions of Chapter XXIV-B et seq. will apply to all series of Index Fund Shares.

.02 The following paragraphs only apply to series of Index Fund Shares that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940.

The Exchange will inform members and member organizations regarding application of these provisions to a particular series of Index Fund Shares by means of an Information Circular prior to commencement of trading in such series.

The Exchange requires that members organizations provide to all purchasers of a series of Index Fund Shares a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to a series of Index Fund Shares that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or the public making specific reference to a series of Index Fund Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of [the series of Index Fund Shares] has been prepared by the [open-end management investment company name] and is available from your broker or the Exchange. It is recommended that you obtain and review such circular before purchasing [the series of Index Fund Shares]. In addition, upon request you may obtain from your broker a prospectus for [the series of Index Fund Shares]."

A member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Index Fund Shares for such omnibus account will be deemed to constitute agreement by the nonmember to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this rule.

Upon request of a customer, a member or member organization shall also provide a prospectus for the particular series of Index Fund Shares.

.03 The Exchange will trade, pursuant to unlisted trading privileges, Index Fund Shares of Select SPDR Funds, which are known as "Select Sector SPDRs."

.04 The Exchange will trade, pursuant to unlisted trading privileges, Index Fund Shares based on Morgan Stanley Capital International (MSCI) Index Funds, which are known as "iShares MSCI."

.05 The approved Minimum Price Variation ("MPV") shall be as defined in Chapter II, Section 41.

Adopted.

June 28, 2000.

Amended.

September 8, 2000. August 5, 2002

Chapter XXIV – C Equity Gold Shares

Sec. 1

Equity Gold Shares

(a) The provisions of this Chapter apply only to Equity Gold Shares, which represent units of fractional undivided beneficial interest in and ownership of the Equity Gold Trust.SM

(b) No BSE member approved as an equity specialist, his member organization, other member, allied member or approved person in such member organization or officer or employee thereof is permitted to act as a market maker or function in any capacity involving market-making responsibilities in physical gold, gold futures or options on gold futures, or any other gold derivatives. However, an approved person of an equity specialist that has established and obtained Exchange approval of procedures restricting the flow of material, non-public market information between itself and the specialist member organization pursuant to Chapter II, Section 36 and any member, officer, or employee associated therewith, may act in a market making capacity, other than as a specialist in the Equity Gold Shares on another market center, in physical gold, gold futures or options on gold futures, or any other gold derivatives.

(c) Except to the extent that specific provisions in this Rule govern, or unless the context otherwise requires, the provisions of the Constitution, all other Exchange Rules and policies shall be applicable to the trading of Equity Gold Shares on the Exchange. Equity Gold Shares are included within the definition of "security" or "securities" as those terms are used in the Constitution and Rules of the Exchange.

Section 2.

Equity Gold Shares: Securities Accounts and Orders of Specialists

(a) The member organization acting as specialist in Equity Gold Shares is obligated to conduct all trading in the Shares in its specialist account, subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange. In addition, the member organization acting as specialist in Equity Gold Shares must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading physical gold, gold futures or options on gold futures, or any other gold derivatives, which the member organization acting as specialist may have or over which it may exercise investment discretion. No member organization acting as specialist in Equity Gold Shares shall trade in physical gold, gold futures or options on gold futures, or any other gold derivatives, in an account in which a member organization acting as specialist, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, which has not been reported to the Exchange as required hereby.

(b) In addition to the existing obligations under Exchange rules regarding the production of books and records, the member organization acting as specialist in Equity Gold Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or any member, allied member, approved person, registered or non-registered employee affiliated with such entity for its or their own accounts in physical gold, gold futures or options on gold futures, or any other gold derivatives, as may be requested by the Exchange.

(c) In connection with trading physical gold, gold futures or options on gold futures or any other gold derivative (including Equity Gold Shares), the specialist registered as such in Equity Gold Shares shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in physical gold, gold futures or options on gold futures, or any other gold derivatives.

Adopted.

March 28, 2005.

Chapter XXV – Registration of Member Corporations

Registration of Member-Corporations

SEC. 1. A member of the Exchange may register a corporation as a member-corporation of the Exchange, upon application by the member and the corporation, subject to the following terms and conditions:

Corporate purpose

(a) Said member-corporation shall be a corporation, the principal corporate purpose of which is the transaction of business as a broker or dealer in securities, organized under the laws of Massachusetts, or the laws of any other state approved by the Exchange.

Documents to be filed with Exchange --Authority of officers

(b) The articles of incorporation and by-laws of said member-corporation, and all amendments thereto, shall be filed with the Exchange and shall be subject to the approval of the Exchange. There shall also be filed with the Exchange evidence satisfactory to the Exchange that the officers of the corporation are duly authorized to act for it in entering into contracts subject to the Rules of the Exchange.

Member's interest --Approval of officers, directors, and stockholders

(c) A member of the Exchange shall at all times be an officer and hold voting stock of said corporation; and all officers, directors and stockholders, of whatever class or classes of stock, of said corporation at all times shall be subject to the approval of the Exchange.

Bank ownership prohibited

(d) No stock or other interest in said member-corporation shall be owned directly or indirectly by any bank (as defined in the Securities Exchange Act of 1934), nor by an officer or employee of any such bank, except as may be permitted by the Exchange in specific cases.

Officer and director ownership

(e) At least 80% of the outstanding common and voting stock of said member-corporation shall be owned, and at least 60% of the total capital represented by all classes of stock shall have been contributed, by the officers and/or directors thereof; provided, however, that the Exchange, for cause shown, may waive this requirement in specific cases.

Restriction of interest

(f) No officer, director or stockholder of said member-corporation shall be an officer, director or stockholder of another member-corporation, or a general or special partner of a member-firm.

Transfer of holdings

(g) No holder of common or voting stock in said member-corporation shall sell, assign, transfer or pledge or hypothecate his holdings of common or voting stock in said corporation, except to the corporation or to other holders of such stock, without the prior approval in writing of the Exchange.

Member not to act for own account

(h) Except with the written permission of the Exchange no member who is a holder of voting stock of a member-corporation shall be permitted to make contracts on the Exchange for his own account, as distinguished from contracts for the account of the member-corporation or its customers.

Claims against membership

(i) The proceeds of sale of the membership of the member who is a holder of voting stock of a member-corporation shall be subject to claims arising from contracts subject to the Rules of the Exchange made by said corporation.

Financial questionnaire --Capital

(j) The financial questionnaire to be answered and capital to be employed by said member-corporation shall be under the direct supervision of the Exchange, as provided in Chapter XXII of the Rules.

Liability for acts of others

(k) A member of the Exchange who is a holder of voting stock of a member-corporation shall be liable to the same discipline and penalties for any act or omission of said corporation, or any officer, director or employee thereof, as if the same were committed by him personally; but the Board of Governors may, in its discretion, by a vote of not less than two-thirds of its members, relieve him from the penalty therefor.

Corporate interests of members

(l) A member of the Exchange shall not be an officer or director of, or own or control, directly or indirectly, a substantial interest in, a corporation engaged in the securities business which is not a member-corporation of the Exchange except with the permission of the Exchange.

Penalty for violation

(m) Upon any violation of the foregoing terms and conditions, or if at any time the requirements thereof are not met, the registration of said member-corporation may be terminated by a majority vote of the Board of Governors.

Termination of Registration by Corporation

(n) The registration of a member-corporation of the Exchange may be terminated upon application by the corporation filed with the Exchange, such termination to be effective at the expiration of thirty days from the date of filing of the application or such earlier date as may be permitted by the Exchange.

Designation of Electronic Mail Addresses

(o) Every member and member organization shall designate one or more electronic mail addresses for the purpose of receiving Exchange notices and communications and shall promptly update those electronic mail addresses when those addresses changes or are no longer valid. An authorized representative of the Exchange may elect to transmit notices or other communications to members and member organizations electronically; provided, however, that nothing in this rule shall be construed to supersede or modify either the method for service of process or other materials in any disciplinary proceeding or any other provisions of Exchange rules setting out a specific method for the receipt of information from the Exchange.

Amended.

January 11, 2006.

SEC. 2. Rescinded effective March 10, 1976.

SEC. 3. Rescinded effective March 10, 1976.

Amended.

January 11, 2006.

Chapter XXVI – Proxies

SEC. 1.

Restrictions

No member or member-organization shall give a proxy to vote stock registered in his or its name, except as required or permitted under the provisions of Section 3 of this Chapter, unless such member or member-organization is the beneficial owner of such stock.

SEC. 2.

Transmission of Proxy Soliciting Material --Request for Voting Instructions; Proxy at Discretion by Owner of Record

Whenever a person soliciting proxies shall furnish a member or member-organization:

(1) copies of all soliciting material which such person is sending to registered holders, and

(2) satisfactory assurance that he will reimburse such member or member-organization for all out-of-pocket expenses, including reasonable clerical expenses, if any, incurred by such member or member-organization in obtaining instructions from the beneficial owners of the stock,

such member or member-organization shall transmit to each beneficial owner of stock which is in his or its possession or control the material furnished together with a request for voting instructions and, as to matters which may be voted without instructions under Section 3(c) of this Chapter, a statement to the effect that, if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record of the stock; provided, however, when the proxy soliciting material is transmitted to the beneficial owner of the stock twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the stock. This Section shall not apply to beneficial owners outside the United States.

SEC. 3.

Direction of the Beneficial Owner

(a) A member or member-organization shall give a proxy for stock registered in his or its name, at the direction of the beneficial owner. If the stock is not in the control or possession of the member or member-organization, satisfactory proof of the beneficial ownership as of the record date may be required.

Member or member-organization as fiduciary

(b) A member or member-organization may give a proxy to vote any stock registered in his or its name without transmitting any material to the beneficial owner, if any, thereof if the member or member-organization holds such stock as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

Voting procedure without instructions

(c) A member or member-organization which has transmitted proxy soliciting material to the beneficial owner of stock and solicited voting instructions in accordance with the provisions of Section 2, and who or which has not received instructions from the beneficial owner by the date specified in the statement

accompanying such material, may give a proxy to vote such stock, provided the person signing the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action does not include authorization for a merger, consolidation or any other matter which may affect substantially the legal rights or privileges of such stock.

Instructions on stock in name of other member-organizations

(d) A member or member-organization which has in its possession or control stock registered in the name of another member or member-organization, and which has solicited voting instructions in accordance with the provisions of Section 2 shall

(1) forward to such other member or member-organization any voting instructions received from the beneficial owner, or

(2) if the proxy soliciting material has been transmitted to the beneficial owner of the stock in accordance with Section 2 and no instructions have been received by the date specified in the statement accompanying such material, notify such other member or member-organization of such fact in order that such member or member-organization may give the proxy as provided in subdivision (c) of this Section.

Proxy Voting on Equity Compensation Plans

(e) A member organization may not give a proxy to vote without instructions from beneficial owners when the matter to be voted upon authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not stockholder approval of such plan is required by Chapter XXVII, Listed Securities, Equity Compensation Plans, of these Rules).

Amended.

November 3, 2003.

SEC. 4.

Proxy to Show Number of Shares

In all cases in which a proxy is given by a member or member-organization the proxy shall state the actual number of shares of stock for which the proxy is given.

SEC. 5.

Transfer to Facilitate Solicitation

A member or member-organization, when so requested by the Exchange, shall transfer certificates of a listed stock held either for his or its own account or for the account of others, if registered in the name of a previous holder of record, into his or its own name, prior to the taking of a record of stockholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least ten per cent of such stock, provided, if the Exchange so requires, the issuer or persons making such request agree to indemnify members or member-organizations against transfer taxes, and the Exchange may make such a request whenever it deems it advisable.

SEC. 6.

Applicability

The provisions of this Chapter shall apply also to any nominees of members or member-organizations. They shall apply also to voting in person.

Chapter XXVII – Listed Securities – Requirements

SEC. 1.

Listed Securities --Requirements

SEC. 1. The Boston Stock Exchange shall receive and consider all applications for the listing of securities. Applications shall be in such form as prescribed by the Exchange.

Prospective applicants for listing are invited to take advantage of the Exchange's confidential review process to learn whether or not the company meets the mandatory eligibility requirements for listing and what additional conditions, if any, might first have to be satisfied. This preview is intended only as a service to the applicant and implies no guarantee to the applicant that its application will subsequently be approved. Approval or disapproval is exclusively within the purview of the Stock List Committee subject to the oversight of the Board of Governors of the Boston Stock Exchange.

While it is generally expected that an applicant company will have been in continuous operations for sufficient time for the Exchange to adequately measure its suitability for listing, the Exchange will consider the suitability of new enterprises. The Boston Stock Exchange believes it is necessary to encourage the formation and growth of the private capital essential to finance the expansion of the U.S. economy. New enterprises generally focus on long term growth rather than current earnings. They are frequently compelled to devote their resources to research and development in their developmental stage and for a while may be unable to establish a positive earnings record. Additionally, a company should be able to demonstrate a demand for its products or services through an established revenue stream. With respect to such companies, the Exchange must be satisfied that the products and services being offered are likely to benefit the public and are not purely promotional ventures.

The Exchange does not rate or guarantee the quality of any security dealt in on the Exchange beyond the fact that it meets the Exchange's minimum criteria for listing. In making a determination concerning listing or delisting, the Exchange acts upon information furnished by the issuer which must verify the information by providing at least independently audited financial statements and other disclosure documents.

The following are mandatory listing requirements for common stock:

A. The company must have at least \$3,000,000 in total assets of which \$2,000,000 are tangible assets, i.e., total assets less any intangible assets. Intangible assets shall include, but shall not be limited to, goodwill, patents, licenses, trademarks and other assets as the Exchange shall deem intangible.

B. The company shall have outstanding a public float of 750,000 shares or more, exclusive of shares held by directors, officers or other concentrated holdings of 5% or more, and the aggregate value of the public float at the time of listing shall be at least \$1,500,000.

C. The company must have a minimum of 600 beneficial stockholders exclusive of the holdings of directors, officers or other concentrated holdings of 5% or more. With respect to a company which seeks to list following an initial public offering, the Exchange must receive assurances from the company or its representatives that the minimum stockholder requirement be met following the distribution of the shares. If not met within six months of listing, the Exchange shall take action to suspend dealings until the stockholder requirement is met. Should the company fail to meet the requirement within 30 days of suspension, the Exchange shall file an application for delisting. A beneficial holder is defined as the ultimate owner of the stock even though the stock may be kept in street name.

D. The company must have a minimum bid price of \$2.00 per share at the time of listing in the case of an

initial public offering. In the case of a company not involved in an initial public offering, a bid price of \$2.00 must be maintained for 45 days prior to listing.

E. The company must have either net income of \$100,000 in two of the past three years, or the company must have net tangible assets in the amount of \$2,000,000. Net tangible assets are defined as stockholders' equity less any intangible assets as described above in A.

F. The company must have a minimum of \$1,000,000 in stockholders' equity.

G. The company must maintain stock transfer facilities with a transfer agent registered pursuant to the Securities Exchange Act of 1934 as amended.

Other factors that the Exchange may take into consideration include the business reputation and prior experience of the management of the company; its relationship, if any, to other publicly traded companies; the company's asset base; and the company's working capital. Thus, notwithstanding the prospective issuer meeting the mandatory requirements enumerated in this rule, the Stock List Committee may determine that an applicant does not qualify for listing.

To list other issues of securities on the Exchange, a company must satisfy certain requirements described below and in the instance where a company's common stock is not listed on the Exchange, that company would have to meet the original listing requirements set forth above for common stock. The definitions of public float and beneficial holders stated above are applicable to listing additional issues as well as meeting the maintenance requirements set forth below.

Warrants

- The company shall have outstanding a public float of 250,000 or more warrants
- 250 beneficial holders

Preferred Stock

- The company shall have outstanding a public float of either 250,000 or more shares, or valued at \$1,000,000 or more
- 250 beneficial holders

Bonds

- Minimum of \$5,000,000 principal amount
- 200 beneficial holders

Furthermore, the applicant shall agree:

1. To notify the Exchange promptly of any change in the general character or nature of its business.
2. To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies when such disposal would impair or materially affect its financial position or the nature or extent of its operations as heretofore conducted.
3. Not to change its accounting policies materially from those existing at the time of listing without giving prior notice thereof to the Exchange.

4. To mail with or prior to the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary owned or controlled company. Such statement shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be part of the report.
5. Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
6. To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of the securities an interim, satisfactory to the Exchange within which to record their interest and to exercise their rights, and to issue all such rights in form approved by the Exchange.
7. To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent change in said options or warrants. Also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer or voting rights of any securities so deposited and to notify the Exchange of the termination thereof.
8. Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income cash dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by issuing company in relation thereto.
9. To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
10. To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments or rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days notice in advance of the closing of the transfer books or extensions, or of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
11. To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
12. To file with the Exchange a certified copy of any amendment to the charter or by-laws of the company together with a satisfactory opinion of counsel respecting the legality of said amendment.
13. To solicit proxies for all meetings of stockholders.
14. If the company issues securities which are subject to an investment restriction, to affix a legend relating to the restriction on the face of the certificates for such securities substantially as follows:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

15. To conform to the Exchange's policy on Informing the Public. (This policy appears as a supplement to this Chapter XXVIII.)

In connection with this rule, the Exchange has adopted certain quantitative and qualitative continued listing criteria. When a company falls below any criterion, the Exchange will notify the company and will review the appropriateness of continued listing. The Exchange may give consideration to any definitive action that a company would propose to take that would bring the criterion in question in line with the requisite maintenance provision.

Companies that are listed on the Exchange prior to the effective date of this rule shall be grandfathered in and shall have one year in which to come into compliance with the new maintenance requirements if they are deficient. If at the end of such period the company is not in compliance, it shall be delisted from the Exchange.

Issues will be considered for delisting if they drop below any of the following minimums:

Common Stock

- a) \$1,000,000 in total assets
- b) A public float of 150,000 shares
- c) 250 beneficial public stockholders
- d) Market value of float must be at least \$500,000
- e) Stockholders' equity of \$500,000

Preferred Stock

- a) A public float of 100,000 shares
- b) 100 beneficial holders

Bonds

- a) \$250,000 principal amount outstanding
- b) 100 beneficial holders

Sec.2

(a) Voluntary Withdrawal from Listing

An issuer proposing to withdraw a security from listing shall provide to the Exchange a certified copy of a resolution of the board of directors of the issuer authorizing withdrawal from listing. Once the copy is provided to the Exchange, the issuer must comply with Exchange Act Rule 12d2-2(c). Specifically, the issuer must: 1) comply with all applicable laws in effect in the state in which the issuer is incorporated; 2) provide written notice, which describes the security involved and all material facts relating to the reasons for withdrawal, to the Exchange no fewer than 10 days before the issuer files an application on Form 25 with the Securities and Exchange Commission; 3) publish notice, contemporaneous with providing written notice to the Exchange, through a press release, and if it has a publicly accessible website by posting such notice on that website, which shall remain available until the delisting on Form 25 becomes effective.

Upon receipt of such notice from the issuer, the Exchange, as required by Rule 12d2-2(c)(3), shall post notice of the issuer's intent on the Exchange website the next business day, and it shall maintain such posting until the delisting on Form 25 takes effect. The issuer must contemporaneously file a copy of Form 25 with the Exchange upon the submission of such form to the Securities and Exchange Commission. Once complete, the securities shall be removed from listing on the Exchange on the effective date established by Exchange Act Rule 12d2-2(d).

(b) Involuntary Withdrawal From Listing where issuer has fallen below Exchange's Continued Listings Policies and Standards

Effective April 24, 2006, pursuant to Securities and Exchange Act Rule 12d2-2 for delisting and registration,¹ where the Exchange is initiating the delisting from registration, for instances not provided in Rule 12d2-2(a), the Exchange may file an application to strike a class of securities from listing of such securities, where and issuer has fallen below the Exchange's continued listing policies and standards. (See Sec. 1) In such instances the Exchange shall:

1. Provide notice to the issuer of its decision to delist its securities;
2. Provide an opportunity to appeal to the Stock List Committee as follows:

Appeal Procedure

A. A request to appeal the Exchange's decision to withdraw from listing shall be filed no later than five (5) business days following issuer's receipt of the decision.² The request must include three thousand dollar (\$3,000) appeal fee. If the issuer does not request an appeal as specified, the Exchange shall submit to the Securities and Exchange Commission an application on Form 25 to strike the security from listing. A copy of Form 25 shall be provided to the issuer in accordance with Rule 12d2-2.

B. If a request to appeal is received by the Exchange, the issuer will be entitled to present an appeal before the Stock List Committee. The issuer must submit to the Exchange any documents or other written materials the issuer wishes to be considered within fifteen (15) calendar days of the filing of the notice to appeal. No hearing shall be held without giving five (5) business days notice to the issuer of the time and place for the hearing.

C. The decision of the Stock List Committee shall be final and be issued with fifteen (15) business days of the hearing or final request for documentation/information. A written decision shall be served upon the issuer; and

3. If the decision is that the security is to be withdrawn from listing then, in accordance with Rule 12d2-2, no fewer than ten (10) days before such action becomes effective, an application on Form 25 shall be filed with the Securities and Exchange Commission. A copy of Form 25 shall be provided to the issuer. In accordance with Rule 12d2-2(b)(1)(iii), public notice of the final determination to remove the security from listing shall be made by the Exchange by issuing a press release and posting notice on the Exchange Web site no fewer than ten days before the delisting become effective. This public notice will remain posted on the Web site until the delisting is effective.

¹ The effective date of Exchange Act Release No. 34-52029 (July 14, 2005), 70 FR 42456 (July 22, 2005) amending Rule 12d2-2 is August 22, 2005. The compliance date is April 24, 2006. The BSE is incorporating the same compliance date into its rules.

² At such time, the Exchange may take action to suspend dealings.

●●● Commentary

An issuer seeking to voluntarily apply to withdraw a class of securities from listing on the Exchange that has received notice from the Exchange that it is below the Exchange's continued listing policies and standards, or that is aware that it is below such continued listing policies and standards notwithstanding that it has not received such notice from the Exchange, must disclose that it is no longer eligible for continued listing (including the specific continued listing policies and standards that the issue is below) in: (i) its statement of all material facts relating to the reasons for withdrawal from listing provided to the Exchange along with written notice of its determination to withdraw from listing required by Rule 12d2-2(c)(2)(ii) under the Exchange Act and; (ii) its public press release and web site notice required by Rule 12d2-2(c)(2)(iii) under the Exchange Act.

Amended.

April 7, 1978.

April 15, 1993.

July 13, 1994.

April 21, 2006.

(c) Involuntary Withdrawal from Listing where the Exchange has terminated its Listing Program in connection with the discontinuation of trading in all listed securities

The Board of Directors or designee will promptly determine to initiate suspension and delisting procedures if the Exchange has terminated its Listing Program in connection with the discontinuation of trading in all securities listed on its market provided that:

1. at least 15 days before issuing its delisting determination, notice is provided to companies;
2. as soon as practicable after the issuance of the delisting determination, notice is provided to the company and the SEC of such delisting determination ;
3. the notice to the company of the delisting determination shall inform the company of the opportunity to appeal to the Board of Directors as follows:

Appeal Procedure

A. A request to appeal the Exchange's delisting determination from listing shall be filed no later than five (5) business days following issuer's receipt of the determination³. The request must include three thousand dollar (\$3,000) appeal fee. If the issuer does not request an appeal as specified, the Exchange shall submit to the Securities and Exchange Commission an application on Form 25 to strike the security from listing. A copy of Form 25 shall be provided to the issuer in accordance with Rule 12d2-2.

B. If a request to appeal is received by the Exchange, the issuer will be entitled to present an appeal before the Board of Directors or designated panel. The issuer must submit to the Exchange any documents or other written materials the issuer wishes to be considered within fifteen (15) calendar days of the filing of the notice to appeal. No hearing shall be held without giving five (5) business days notice to the issuer of the time and place for the hearing.

C. The decision of the Board or designated panel shall be final and be issued with fifteen (15) business days of the hearing or final request for documentation/information. A written decision shall be served upon the issuer; and 3. If the decision is that the security is to be withdrawn from listing then, in accordance with Rule 12d2-2, no fewer than ten (10) days before such action becomes effective, an application on Form 25 shall be filed with the Securities and Exchange Commission. A copy of Form 25 shall be provided to the issuer. In accordance with Rule 12d2-2(b)(1)(iii), public notice of the final determination to remove the

security from listing shall be made by the Exchange by issuing a press release and posting notice on the Exchange Web site no fewer than ten days before the delisting become effective. This public notice will remain posted on the Web site until the delisting is effective.

³ At such time, the Exchange may take action to suspend dealings.

Amended.

January 16, 2009.

Limited Partnerships

No security issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act) shall be eligible for listing unless (i) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (ii) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the Exchange with an opinion of counsel stating that such broker-dealer's participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

••• Commentary: ...

.01 The only currently existing national securities association subject to Section 15A(b)(12) of the Exchange Act is the National Association of Securities Dealers, Inc. Its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are on the date of adoption of this Commentary specified in Article III, Section 34 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc.

Adopted.

December 16, 1994.

Listing Standards --Hybrid Securities

The listing of hybrid security issues is considered on a case-by-case basis. Such hybrid issues will be evaluated for listing against the following criteria;

(a) Assets and Equity Criteria --the issuer will generally be required to have assets of \$100 million, stockholders' equity of \$10 million and current earnings of at least \$750,000 in pre-tax income in the last fiscal year or in two of the last three fiscal years. Issuers not meeting the earnings criteria will generally be required to have assets in excess of \$200 million and stockholders' equity of \$10 million, or, in the alternative, assets in excess of \$100 million and stockholders' equity of \$20 million;

(b) Distribution Criteria --the issuer will be required to have a minimum public distribution of 1 million trading units together with a minimum of 400 holders, and a minimum aggregate market value of \$18 million. When trading is expected to occur in larger than average trading units (for example a \$1,000 principal amount), a minimum of 100 holders will be required. A minimum public market value of \$5 million will be required for debt securities.

Prior to trading securities admitted to listing under this paragraph, the Exchange will evaluate the nature and complexity of the issue, and if appropriate, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities particular to handling transactions in such

securities.

Adopted.

January 27, 1992

Suspension and Restoration of a Security

The suspension of any security from the list of the Exchange deprives it, during that period of suspension, of all of the privileges which listing by the Exchange may give it, except that on an application for restoration to the list, the Exchange may not require all of the papers, exhibits and examinations which would be required in the case of an original listing.

Sec. 3

Direct Registration Program

- 1.) All securities initially listing on the BSE on or after January 1, 2007 must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Exchange Act. This provision does not extend to: (i) additional classes of securities of companies which already have securities listed on BSE; (ii) companies which immediately prior to such listing had securities listed on another registered securities exchange in the U.S.; or, (iii) non-equity securities which are book-entry only.
- 2.) On and after January 1, 2008, all securities listed on BSE (except non-equity securities which are book-entry only) must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Securities Exchange Act of 1934.
- 3.) If an issuer establishes or maintains a Direct Registration Program for its shareholders, the issuer shall, directly or through its transfer agent, participate in an electronic link with a [securities depository] clearing agency registered under Section 17A of the Exchange Act to facilitate the electronic transfer of securities held pursuant to such program.

Adopted.

March 15, 2007.

Supplement to Chapter XXVII --Informing the Public

Listing on the Boston Stock Exchange increases public confidence in a company's stock; investors know that the company and the stock issues have met the high standards of the Exchange.

However, the keystone of continuing confidence and good corporate stockholder relations is full and immediate disclosure to qualified persons of all material facts and figures relating to the status and the progress of the business. It follows that the spirit of this principle extends to the dissemination of corporate news to the investing public by companies whose securities are listed exclusively on Boston Stock Exchange.

The main points of this policy are described in the following paragraphs:

Financial Reports

Corporate reports must be sent to stockholders annually and semi-annually, with quarterly reports published in major newspapers and financial publications. As a matter of fairness, corporations which distribute interim reports to shareholders should distribute such reports to both registered and beneficial

shareholders. All reports should be prepared in accordance with generally accepted accounting principles. The annual report must be attested by a firm of independent certified public accountants.

Amended.

March 26, 1996.

Timely Disclosure

Timely and Adequate Disclosure of Corporate News

A corporation whose stock is listed on the Boston Stock Exchange is expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities.

A corporation should also act promptly to dispel unfounded rumors which result in unusual market activity or price variations.

The discussion which follows will assist a listed corporation, the securities of which are exclusively listed on the Boston Stock Exchange, in making adequate and timely disclosure to its shareholders, the financial community and the investing public and thus provide the basis for a market for its securities which will be fair to all participants.

Exchange Market Surveillance

For its part, the Exchange maintains a continuous market surveillance program, primarily on its exclusively listed issues. The Exchange reviews the markets in those securities in which unusual price and volume changes occur or where there is a large unexplained influx of buy or sell orders. Under such circumstances, the company may be called to inquire about any company developments which have not been publicly announced but which could be responsible for unusual market activity. Where the market appears to be reflecting undisclosed information, the corporation will normally be requested to make it public immediately. Occasionally, it may be necessary to carry out a stock market review after the fact and the Exchange may request such information from the company as may be necessary to complete such inquiry.

The listing agreement provides that the company will furnish to the Exchange, on demand, such information concerning the company as the Exchange may reasonably require.

Listing Department

The staff of the Listing Department is available to discuss inquiries with company officials, and to act as liaison between the company and the Exchange. This includes problems that may be considered with new listings and the procedures necessary to effect a listing.

Preliminary discussions on important matters such as stock splits or changes in dividend policy, may be undertaken by listed company officials with the assurance that extreme security measures have been adopted by the Exchange to avoid revealing any confidential information which a listed company may disclose.

Internal Handling of Confidential Corporate Matters

Unusual market activity or a substantial price change has on occasion occurred in a company's securities shortly before the announcement of an important corporate action or development. Such incidents are extremely embarrassing and damaging to both the company and the Exchange since the public may assume that someone acted on the basis of "inside" information.

Negotiations leading to acquisitions and mergers, stock splits, the making of arrangements preparatory to an exchange or tender offer, changes in dividend rates or earnings, calls for redemptions, new contracts, products, or discoveries, are the type of developments where the risk of untimely and inadvertent disclosures of corporate plans are most likely to occur. Frequently, these matters require discussion and study by corporate officials before final decisions can be made. Accordingly, extreme care must be used in order to keep the information on a confidential basis.

Where it is possible to confine formal or informal discussion to a small group of the top management of the company or companies involved, and their individual confidential advisors where adequate security can be maintained, premature public announcement may properly be avoided. In this regard, the market action of a company's securities should be closely watched at a time when consideration is being given to important corporate matters. If unusual market activity should arise, the company should be prepared to make an immediate public announcement of the matter.

At some point it usually becomes necessary to involve other persons to conduct preliminary studies or assist in other preparations for contemplated transactions; e.g., business appraisals, tentative financing arrangement, attitude of large outside holders, availability of major blocks of stock, engineering studies, market analyses and surveys, etc. Experience has shown that maintaining security at this point is virtually impossible. Accordingly, fairness requires that the company make an immediate public announcement as soon as confidential disclosures relating to such important matters are made to any "outsiders".

The extent of the disclosures will depend upon the stage of discussion, studies, or negotiations. So far as possible, public statements should be definite as to price, ratio, timing, and/or other pertinent information necessary to permit a reasonable evaluation of the matter. As a minimum, they should include those disclosures made to "outsiders". Where an initial announcement cannot be specific or complete, it will need to be supplemented from time to time as more definite or different terms are discussed or determined.

Corporate employees, as well as directors and officers, should be regularly reminded as a matter of policy that they must not disclose confidential information they may receive in the course of their duties and must not attempt to take advantage of such information themselves.

In view of the importance of this matter and the potential difficulties involved, the Exchange suggests that a periodic review be made by each company of the manner in which confidential information is being handled within its own organization. A reminder notice of the company's policy to those in sensitive areas might also be helpful from time to time.

The effective implementation of the foregoing is essential to the maintenance of a fair and orderly securities market for the benefit of a company and its shareholders. It should minimize the occasions where the Exchange finds it necessary to temporarily halt trading in a security due to information leaks or rumors in connection with significant corporate transactions.

While the procedures are directed primarily at situations involving two or more companies, they are equally applicable to major corporate developments involving a single company. Announcements of this type should usually be handled by telephone alert to the Listing Department.

Relationship between Company Officials and Security Analysts, Institutional Investors, etc.

Security analysts play an increasingly important role in the evaluation and interpretation of the financial affairs of listed companies. Annual reports, quarterly reports, and interim releases cannot by their nature provide all of the financial and statistical data that should be available to the investing public. The Exchange recommends that corporations observe an "open door" policy in their relations with security analysts, financial writers, shareowners, and others who have a legitimate investment interest in the company's affairs. A company should not give information to one inquirer which it would not give to another. Nor should it reveal information it would not willingly give to the press for publication. Thus, for

corporations to give advance earnings, dividend, stock split, merger, or tender information to analysts, whether representing an institution, brokerage house, investment advisor, large stockholder, or anyone else, would be clearly incompatible with Exchange policy. On the other hand, it should not withhold information in which analysts or other members of the investing public have a warrantable interest.

If during the course of a discussion with analysts substantive material not previously published is disclosed, that material should be simultaneously released to the public. The various security analysts societies usually have a regular procedure to be followed where formal presentations are made. The company should follow these same precautions when dealing with groups of industry analysts in small or closed meetings.

The competent analyst depends upon his professional skills and broad industry knowledge in making his evaluations and preparing his reports and does not need the type of inside information that could lead to unfairness in the marketplace.

Relationship between Company Officials and Exchange Specialists

The Specialist is charged with doing all that is in his power to give the company and its stockholders the fair and orderly market that is expected from a listing on the Exchange. In carrying out this responsibility it would be desirable for the Specialist to have appropriate liaison with one or more corporate officials. Such liaison, properly conducted, provides opportunity for communication in the event of particular questions or problems encountered by either the Specialist or the company. Company officials should be informed of any unusual market problems, if deemed appropriate, and would be free to call the Floor Procedure Department (not the Specialist) for information if a question arises about the market in the stock.

There is a point beyond which it is improper for the company to go in giving information to the Specialist. Thus, for the corporation to give advance earnings, dividend, stock split, or merger information to a Specialist or anyone else would be clearly inappropriate. On the other hand, it is entirely appropriate for company officials to discuss such matters as the trend of business with the Specialist, much as they would with bankers, stockholders, security analysts, or anyone having a legitimate interest in the company. In this way, the Specialist may be better able to maintain a market beneficial to the company and its present and prospective stockholders.

Relationship between Company Officials and Personnel of Boston Stock Exchange Member Organizations Serving as Directors or Advisors to the Corporation

Every director has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Not until there is full public disclosure of such data, particularly when the information might have a bearing on the market price of the securities, is a director released from the necessity of keeping information of this character to himself. Any director of a corporation who is a partner, officer, or employee of a member organization should recognize that his first responsibility in this area is to the corporation on whose Board he serves. Thus, a member firm director must meticulously avoid any disclosures of inside information to his partners, employees of the firm, his customers or his research or trading departments.

Where a representative of a member organization is not a director but is acting in an advisory capacity to a company and discussing confidential matters, the ground rules should be substantially the same as those that apply to a director. Should the matter require consultation with other personnel of the organization, adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside of the member organization.

Procedure for Public Release of Information

Immediate Release Policy

The normal method of publication of important corporate data is by means of a press release. This may be

either by telephone or in written form. Any release of information that could reasonably be expected to have an impact on the market for a company's securities should be given to the Exchange, wire services and the press for immediate release. Clearly, a corporation cannot properly assume responsibility for the security of such important information in the hands of persons or organizations beyond its control.

The spirit of the Immediate Release policy is not considered to be violated on weekends where a "hold for Sunday or Monday A.M.'s" is issued to obtain a broad public release of the news. This procedure facilitates the combination of a press release with a mailing to shareholders.

Annual and quarterly earnings, dividend announcements, acquisitions, mergers, tender offers, stock splits, and major management changes are examples of news items that should be handled on an immediate release basis. News of major new products, contract awards, expansion plans, and discoveries very often fall into the same category. Unfavorable news should be reported as promptly and candidly as the favorable. Reluctance or unwillingness to release a negative story or an attempt to disguise unfavorable news endangers a management's reputation for integrity. Changes in accounting methods to mask such occurrences can have a similar long-term impact.

It should be a corporation's primary concern to assure that news will be handled in proper perspective. This necessitates appropriate restraint, good judgment, and careful adherence to the facts. Any projections of financial data, for instance, should be soundly based, appropriately qualified, conservative and factual. Excessive or misleading conservatism should be avoided. Likewise, the repetitive release of essentially the same information is not appropriate.

Few things are more damaging to a corporation's stockholder relations or to the general public's regard for corporate securities than information improperly withheld whether inadvertently or willfully. On the other hand, a deluge of press releases is not to be used since important items can become confused with trivia.

Premature announcements of new products whose commercial application cannot yet be realistically evaluated should be avoided. So should overly optimistic forecasts, exaggerated claims and unwarranted promises. And should subsequent developments indicate that performance will not match earlier projections, this too should be reported and explained.

Judgment must be exercised as to the timing of a public release on those corporate developments where the immediate release policy is not involved or where disclosure would endanger the company's goals or provide information helpful to a competitor. In these cases, it is helpful to weigh the fairness to both present and potential stockholders, who at any given moment may be considering buying or selling the company's stock.

Dealing with Rumors or Unusual Market Activity

The market action of a company's security should be closely watched at a time when consideration is being given to significant corporate matters. If rumors or unusual market activity indicate that information on impending developments has leaked out, a frank and explicit announcement is clearly required. If rumors are in fact false or inaccurate, they should be promptly denied or clarified. If they are correct, however, an immediate, candid statement to the public as to the state of negotiations or the state of development of corporate plans in the rumored area must be made directly and openly. Such statements are essential despite the business inconvenience which may be caused and even though the matter may not as yet have been presented to the Company's Board of Directors for consideration.

Telephone Alert to the Listing Department

When the announcement of news of a material event or a statement dealing with a rumor which calls for immediate release is made shortly before the opening or during market hours (normally

10:00 A.M. to 4:00 P.M. Boston Time), it is recommended that the Listing Department be notified by

telephone no later than simultaneously with the release of the announcement to the news media. The Listing Department should receive such information in sufficient time for the Exchange to determine whether trading in the security should be temporarily halted. A delay in trading, which normally would last 15 minutes after the appearance of the news on the Dow-Jones news ticker, provides a period for the public evaluation of the announcement. A longer delay in trading may be necessary if there is an unusual influx of orders. The Exchange attempts to keep such interruptions in the continuous auction market to a minimum. However, where events transpire during market hours, the overall importance of fairness to all those participating in the market demands that these procedures be followed.

The telephone number of the Listing Department of the Exchange is 617-723-9500. Important information received by telephone should be immediately confirmed from the Exchange by telephone to the company. The telephone advice by the company should be confirmed promptly in writing.

Releases to Newspapers and News-wire Services

News which ought to be the subject of immediate publicity must be released by the fastest available means. The "fastest available means" may vary in individual cases and according to the time of day. Ordinarily, this requires a release to the public press by telephone, telegraph, or hand delivery, or some combination thereof. Transmittal of such a release to the press solely by mail is not considered satisfactory.

To insure adequate coverage, releases requiring immediate publicity should be given to the news ticker service operated by Dow Jones & Company, Inc., and to the other national news-wire services --Associated Press, and United Press International. These releases should also be given simultaneously to one or more of the newspapers of general circulation in Boston which regularly publish financial news:

The Boston Globe, 135 Wm. T. Morrissey Blvd.

Herald American, 300 Harrison Avenue

Christian Science Monitor, 1 Norway Street

The Wall Street Journal, 10 Post Office Square

The foregoing distribution of releases should be regarded as a minimum. Many companies may wish to give additional prompt distribution to their releases, particularly to newspapers in cities where the company is headquartered or has plants or other major facilities.

Two copies of any such press release should be sent immediately to the Exchange to the attention of the Listing Department.

The Boston addresses and telephone numbers of these national news-wire services are:

Associated Press, 260 Summer Street.....357-8100

Dow Jones News Service, 10 Post Office Square... 426-6044

United Press International, 20 Ashburton Place... 227-4000

Reuters Limited, 1122 Avenue of the Americas,
New York, New York..... 212-581-4250

It is suggested that every news release include the name and telephone number of a company official who

will be available if a newspaper or news-wire service desires to confirm or clarify the release with the company.

Equity Compensation Plans

Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions explained below.

Equity-compensation plans can help align shareholder and management interests, and equity-based awards are often very important components of employee compensation. To provide checks and balances on the potential dilution resulting from the process of earmarking shares to be used for equity-based awards, the Exchange requires that all equity-compensation plans, and any material revisions to the terms of such plans, be subject to shareholder approval, with the limited exemptions explained below.

Definition of Equity-Compensation Plan

An "equity-compensation plan" is a plan or other arrangement that provides for the delivery of equity securities (either newly issued or treasury shares) of the listed company to any employee, director or other service provider as compensation for services. Even a compensatory grant of options or other equity securities that is not made under a plan is, nonetheless, an "equity-compensation plan" for these purposes.

However, the following are not "equity-compensation plans" even if the brokerage and other costs of the plan are paid for by the listed company:

- Plans that are made available to shareholders generally, such as a typical dividend reinvestment plan.
- Plans that merely allow employees, directors or other service providers to elect to buy shares on the open market or from the listed company for their current fair market value, regardless of whether:
 - the shares are delivered immediately or on a deferred basis; or
 - the payments for the shares are made directly or by giving up compensation that is otherwise due (for example, through payroll deductions).

Material Revisions

A "material revision" of an equity-compensation plan includes (but is not limited to), the following:

- A material increase in the number of shares available under the plan (other than an increase solely to reflect a reorganization, stock split, merger, spinoff or similar transaction).
 - If a plan contains a formula for automatic increases in the shares available (sometimes called an "evergreen formula") or for automatic grants pursuant to a formula, each such increase or grant will be considered a revision requiring shareholder approval unless the plan has a term of not more than ten years.

This type of plan (regardless of its term) is referred to below as a "formula plan." Examples of automatic grants pursuant to a formula are (1) annual grants to directors of restricted stock having a certain dollar value, and (2) "matching contributions," whereby stock is credited to a participant's account based upon the amount of compensation the participant elects to defer.

- If a plan contains no limit on the number of shares available and is not a formula plan, then each grant

under the plan will require separate shareholder approval regardless of whether the plan has a term of not more than ten years.

This type of plan is referred to below as a "discretionary plan." A requirement that grants be made out of treasury shares or repurchased shares will not, in itself, be considered a limit or preestablished formula so as to prevent a plan from being considered a discretionary plan.

- An expansion of the types of awards available under the plan.
- A material expansion of the class of employees, directors or other service providers eligible to participate in the plan.
- A material extension of the term of the plan.
- A material change to the method of determining the strike price of options under the plan.
 - A change in the method of determining "fair market value" from the closing price on the date of grant to the average of the high and low price on the date of grant is an example of a change that the Exchange would not view as material.
- The deletion or limitation of any provision prohibiting repricing of options. See the next section for details.

Note that an amendment will not be considered a "material revision" if it curtails rather than expands the scope of the plan in question.

Repricings

A plan that does not contain a provision that specifically permits repricing of options will be considered for purposes of this listing standard as prohibiting repricing. Accordingly any actual repricing of options will be considered a material revision of a plan even if the plan itself is not revised. This consideration will not apply to a repricing through an exchange offer that commenced before the date this listing standard became effective.

"Repricing" means any of the following or any other action that has the same effect:

- Lowering the strike price of an option after it is granted.
- Any other action that is treated as a repricing under generally accepted accounting principles.
- Canceling an option at a time when its strike price exceeds the fair market value of the underlying stock, in exchange for another option, restricted stock, or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

Exemptions

This listing standard does not require shareholder approval of employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans, all as described below. However, these exempt grants, plans and amendments may be made only with the approval of the company's independent compensation committee or the approval of a majority of the company's independent directors. Companies must also notify the Exchange in writing when they use one of these exemptions.

Employment Inducement Awards

An employment inducement award is a grant of options or other equity-based compensation as a material inducement to a person or persons being hired by the listed company or any of its subsidiaries, or being rehired following a bona fide period of interruption of employment. Inducement awards include grants to new employees in connection with a merger or acquisition. Promptly following a grant of any inducement award in reliance on this exemption, the listed company must disclose in a press release the material terms of the award, including the recipient(s) of the award and the number of shares involved.

Mergers and Acquisitions

Two exemptions apply in the context of corporate acquisitions and mergers.

First, shareholder approval will not be required to convert, replace or adjust outstanding options or other equity-compensation awards to reflect the transaction.

Second, shares available under certain plans acquired in corporate acquisitions and mergers may be used for certain post-transaction grants without further shareholder approval. This exemption applies to situations where a party that is not a listed company following the transaction has shares available for grant under pre-existing plans that were previously approved by shareholders. A plan adopted in contemplation of the merger or acquisition transaction would not be considered "pre-existing" for purposes of this exemption.

Shares available under such a pre-existing plan may be used for post-transaction grants of options and other awards with respect to equity of the entity that is the listed company after the transaction, either under the pre-existing plan or another plan, without further shareholder approval, so long as:

- the number of shares available for grants is appropriately adjusted to reflect the transaction;
- the time during which those shares are available is not extended beyond the period when they would have been available under the pre-existing plan, absent the transaction; and
- the options and other awards are not granted to individuals who were employed, immediately before the transaction, by the post-transaction listed company or entities that were its subsidiaries immediately before the transaction.

Any shares reserved for listing in connection with a transaction pursuant to either of these exemptions would be counted by the Exchange in determining whether the transaction involved the issuance of 20% or more of the company's outstanding common stock and thus required shareholder approval.

These merger-related exemptions will not result in any increase in the aggregate potential dilution of the combined enterprise. Further, mergers or acquisitions are not routine occurrences, and are not likely to be abused. Therefore, the Exchange considers both of these exemptions to be consistent with the fundamental policy involved in this standard.

Qualified Plans, Parallel Excess Plans and Section 423 Plans

The following types of plans (and material revisions thereto) are exempt from the shareholder approval requirement:

- plans intended to meet the requirements of Section 401(a) of the Internal Revenue Code (e.g., ESOPs);
- plans intended to meet the requirements of Section 423 of the Internal Revenue Code; and
- "parallel excess plans" as defined below.

Section 401(a) plans and Section 423 plans are already regulated under the Internal Revenue Code and Treasury regulations. Section 423 plans, which are stock purchase plans under which an employee can purchase no more than \$25,000 worth of stock per year at a plan-specified discount capped at 15%, are also required by the Internal Revenue Code to receive shareholder approval. While Section 401(a) plans and parallel excess plans are not required to be approved by shareholders, U.S. GAAP requires that the shares issued under these plans be "expensed" (i.e., treated as a compensation expense on the income statement) by the company issuing the shares. An equity-compensation plan that provides non-U.S. employees with substantially the same benefits as a comparable Section 401(a) plan, Section 423 plan or parallel excess plan that the listed company provides to its U.S. employees, but for features necessary to comply with applicable foreign tax law, are also exempt from shareholder approval under this section. The term "parallel excess plan" means a plan that is a "pension plan" within the meaning of the Employee Retirement Income Security Act ("ERISA") that is designed to work in parallel with a plan intended to be qualified under Internal Revenue Code Section 401(a) to provide benefits that exceed the limits set forth in Internal Revenue Code Section 402(g) (the section that limits an employee's annual pre-tax contributions to a 401(k) plan), Internal Revenue Code Section 401(a)(17) (the section that limits the amount of an employee's compensation that can be taken into account for plan purposes) and/or Internal Revenue Code Section 415 (the section that limits the contributions and benefits under qualified plans) and/or any successor or similar limitations that may hereafter be enacted. A plan will not be considered a parallel excess plan unless (1) it covers all or substantially all employees of an employer who are participants in the related qualified plan whose annual compensation is in excess of the limit of Code Section 401(a)(17) (or any successor or similar limits that may hereafter be enacted); (2) its terms are substantially the same as the qualified plan that it parallels except for the elimination of the limits described in the preceding sentence and the limitation described in clause (3); and (3) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

Transition Rules

Except as provided below, a plan that was adopted before the date of the Securities and Exchange Commission order approving this listing standard will not be subject to shareholder approval under this section unless and until it is materially revised.

In the case of a discretionary plan (as defined in "Material Revisions" above), whether or not previously approved by shareholders, additional grants may be made after the effective date of this listing standard without further shareholder approval only for a limited transition period, defined below, and then only in a manner consistent with past practice. See also "Material Revisions" above. In applying this rule, if a plan can be separated into a discretionary plan portion and a portion that is not discretionary, the non-discretionary portion of the plan can continue to be used separately, under the appropriate transition rule. For example, if a shareholder-approved plan permits both grants pursuant to a provision that makes available a specific number of shares, and grants pursuant to a provision authorizing the use of treasury shares without regard to the specific share limit, the former provision (but not the latter) may continue to be used after the transition period, under the general rule above.

Similarly, in the case of a formula plan (as defined in "Material Revisions" above) that either (1) has not previously been approved by shareholders or (2) does not have a term of ten years or less, additional grants may be made after the effective date of this listing standard without further shareholder approval only for a limited transition period, defined below.

The limited transition period described in the preceding two paragraphs will end upon the first to occur of:

- the listed company's next annual meeting at which directors are elected that occurs more than 180 days after the effective date of this listing standard;
- the first anniversary of the effective date of this listing standard; and
- the expiration of the plan.

A shareholder-approved formula plan may continue to be used after the end of this transition period if it is amended to provide for a term of ten years or less from the date of its original adoption or, if later, the date of its most recent shareholder approval. Such an amendment may be made before or after the effective date of this listing standard, and would not itself be considered a "material revision" requiring shareholder approval.

In addition, a formula plan may continue to be used, without shareholder approval, if the grants after the effective date of this listing standard are made only from the shares available immediately before the effective date, in other words, based on formulaic increases that occurred prior to such effective date.

Transition Rules for Proxy Voting on Equity Compensation Plans

Members or member-organizations are precluded from giving a proxy to vote on equity compensation plans unless the beneficial owner of the shares has given voting instructions, as set forth in Chapter XXVI, Proxies, Section 3(e), Proxy Voting on Equity Compensation Plans, of these Rules. This provision regarding equity compensation plans will be effective for any meeting of shareholders that occurs on or after the 90th day following the date of the Securities and Exchange Commission order approving this provision.

Amended.

November 3, 2003.

Corporate Governance

A. Audit Committees: All issuers with securities listed on the Boston Stock Exchange will be required to establish an independent audit committee that shall be defined as: " An independent committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company; and if no such body exists with respect to the Company, the entire board of directors." All issuers with securities listed on the Boston Stock Exchange shall comply with the following rules:

1. Required Standards for Audit Committee Pursuant to SEC Rule 10A-3:

(a) Pursuant to section 10A(m) of the Act (15 U.S.C. 78j-1(m)) and section 3 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7202):

(1) National securities exchanges. The rules of each national securities exchange registered pursuant to section 6 of the Act (15 U.S.C. 78f) must, in accordance with the provisions of this section, prohibit the initial or continued listing of any security of an issuer that is not in compliance with the requirements of any portion of paragraph (b) or (c) of this section.

(2) National securities associations. The rules of each national securities association registered pursuant to section 15A of the Act (15 U.S.C. 78o-3) must, in accordance with the provisions of this section, prohibit the initial or continued listing in an automated inter-dealer quotation system of any security of an issuer that is not in compliance with the requirements of any portion of paragraph (b) or (c) of this section.

(3) Opportunity to cure defects. The rules required by paragraphs (a)(1) and (a)(2) of this section must provide for appropriate procedures for a listed issuer to have an opportunity to cure any defects that would be the basis for a prohibition under paragraph (a) of this section, before the imposition of such prohibition. Such rules also may provide that if a member of an audit committee ceases to be independent in accordance with the requirements of this section for reasons outside the member's reasonable control, that person, with notice by the issuer to the applicable national securities exchange or national securities association, may remain an audit committee member of the listed issuer until the earlier of the next annual

shareholders meeting of the listed issuer or one year from the occurrence of the event that caused the member to be no longer independent.

(4) Notification of noncompliance. The rules required by paragraphs (a)(1) and (a)(2) of this section must include a requirement that a listed issuer must notify the applicable national securities exchange or national securities association promptly after an executive officer of the listed issuer becomes aware of any material noncompliance by the listed issuer with the requirements of this section.

(5) Implementation.

(i) The rules of each national securities exchange or national securities association meeting the requirements of this section must be operative, and listed issuers must be in compliance with those rules, by the following dates:

(A) July 31, 2005 for foreign private issuers and small business issuers (as defined in § 240.12b2); and

(B) For all other listed issuers, the earlier of the listed issuer's first annual shareholders meeting after January 15, 2004, or October 31, 2004.

(ii) Each national securities exchange and national securities association must provide to the Commission, no later than July 15, 2003, proposed rules or rule amendments that comply with this section.

(iii) Each national securities exchange and national securities association must have final rules or rule amendments that comply with this section approved by the Commission no later than December 1, 2003.

(b) Required standards.

(1) Independence.

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent; provided that, where a listed issuer is one of two dual holding companies, those companies may designate one audit committee for both companies so long as each member of the audit committee is a member of the board of directors of at least one of such dual holding companies.

(ii) Independence requirements for non-investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

(iii) Independence requirements for investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities

association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an "interested person" of the issuer as defined in section 2(a)(19) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(19)).

(iv) Exemptions from the independence requirements.

(A) For an issuer listing securities pursuant to a registration statement under section 12 of the Act (15 U.S.C. 78l), or for an issuer that has a registration statement under the Securities Act of 1933 (15 U.S.C. 77a et seq.) covering an initial public offering of securities to be listed by the issuer, where in each case the listed issuer was not, immediately prior to the effective date of such registration statement, required to file reports with the Commission pursuant to section 13(a) or 15(d) of the Act (15 U.S.C. 78m(a) or 78o(d)):

(1) All but one of the members of the listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of this section for 90 days from the date of effectiveness of such registration statement; and

(2) A minority of the members of the listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of this section for one year from the date of effectiveness of such registration statement.

(B) An audit committee member that sits on the board of directors of a listed issuer and an affiliate of the listed issuer is exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if the member, except for being a director on each such board of directors, otherwise meets the independence requirements of paragraph (b)(1)(ii) of this section for each such entity, including the receipt of only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of each such entity.

(C) An employee of a foreign private issuer who is not an executive officer of the foreign private issuer is exempt from the requirements of paragraph (b)(1)(ii) of this section if the employee is elected or named to the board of directors or audit committee of the foreign private issuer pursuant to the issuer's governing law or documents, an employee collective bargaining or similar agreement or other home country legal or listing requirements.

(D) An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is an affiliate of the foreign private issuer or a representative of such an affiliate;

(2) The member has only observer status on, and is not a voting member or the chair of, the audit committee; and

(3) Neither the member nor the affiliate is an executive officer of the foreign private issuer.

(E) An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is a representative or designee of a foreign government or foreign governmental entity that is an affiliate of the foreign private issuer; and

(2) The member is not an executive officer of the foreign private issuer.

(F) In addition to paragraphs (b)(1)(iv)(A) through (E) of this section, the Commission may exempt from the

requirements of paragraphs (b)(1)(ii) or (b)(1)(iii) of this section a particular relationship with respect to audit committee members, as the Commission determines appropriate in light of the circumstances.

(2) Responsibilities relating to registered public accounting firms. The audit committee of each listed issuer, in its capacity as a committee of the board of directors, must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the audit committee.

(3) Complaints. Each audit committee must establish procedures for:

(i) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and

(ii) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.

(4) Authority to engage advisers. Each audit committee must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

(5) Funding. Each listed issuer must provide for appropriate funding, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of:

(i) Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer;

(ii) Compensation to any advisers employed by the audit committee under paragraph (b)(4) of this section; and

(iii) Ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

(c) General exemptions.

(1) At any time when an issuer has a class of securities that is listed on a national securities exchange or national securities association subject to the requirements of this section, the listing of other classes of securities of the listed issuer on a national securities exchange or national securities association is not subject to the requirements of this section.

(2) At any time when an issuer has a class of common equity securities (or similar securities) that is listed on a national securities exchange or national securities association subject to the requirements of this section, the listing of classes of securities of a direct or indirect consolidated subsidiary or an at least 50% beneficially owned subsidiary of the issuer (except classes of equity securities, other than non-convertible, non-participating preferred securities, of such subsidiary) is not subject to the requirements of this section.

(3) The listing of securities of a foreign private issuer is not subject to the requirements of paragraphs (b)(1) through (b)(5) of this section if the foreign private issuer meets the following requirements:

(i) The foreign private issuer has a board of auditors (or similar body), or has statutory auditors, established and selected pursuant to home country legal or listing provisions expressly requiring or permitting such a board or similar body;

(ii) The board or body, or statutory auditors is required under home country legal or listing requirements to

be either:

(A) Separate from the board of directors; or

(B) Composed of one or more members of the board of directors and one or more members that are not also members of the board of directors;

(iii) The board or body, or statutory auditors, are not elected by management of such issuer and no executive officer of the foreign private issuer is a member of such board or body, or statutory auditors;

(iv) Home country legal or listing provisions set forth or provide for standards for the independence of such board or body, or statutory auditors, from the foreign private issuer or the management of such issuer;

(v) Such board or body, or statutory auditors, in accordance with any applicable home country legal or listing requirements or the issuer's governing documents, are responsible, to the extent permitted by law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the issuer; and

(vi) The audit committee requirements of paragraphs (b)(3), (b)(4) and (b)(5) of this section apply to such board or body, or statutory auditors, to the extent permitted by law.

(4) The listing of a security futures product cleared by a clearing agency that is registered pursuant to section 17A of the Act (15 U.S.C. 78q-1) or that is exempt from the registration requirements of section 17A pursuant to paragraph (b)(7)(A) of such section is not subject to the requirements of this section.

(5) The listing of a standardized option, as defined in § 240.9b-1(a)(4), issued by a clearing agency that is registered pursuant to section 17A of the Act (15 U.S.C. 78q-1) is not subject to the requirements of this section.

(6) The listing of securities of the following listed issuers are not subject to the requirements of this section:

(i) Asset-Backed Issuers (as defined in § 240.13a-14(g) and § 240.15d-14(g));

(ii) Unit investment trusts (as defined in 15 U.S.C. 80a-4(2)); and

(iii) Foreign governments (as defined in § 240.3b-4(a)).

(7) The listing of securities of a listed issuer is not subject to the requirements of this section if:

(i) The listed issuer, as reflected in the applicable listing application, is organized as a trust or other unincorporated association that does not have a board of directors or persons acting in a similar capacity; and

(ii) The activities of the listed issuer that is described in paragraph (c)(7)(i) of this section are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(d) Disclosure. Any listed issuer availing itself of an exemption from the independence standards contained in paragraph (b)(1)(iv) of this section (except paragraph (b)(1)(iv)(B) of this section), the general exemption contained in paragraph (c)(3) of this section or the last sentence of paragraph (a)(3) of this section, must:

(1) Disclose its reliance on the exemption and its assessment of whether, and if so, how, such reliance

would materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this section in any proxy or information statement for a meeting of shareholders at which directors are elected that is filed with the Commission pursuant to the requirements of section 14 of the Act (15 U.S.C. 78n); and

(2) Disclose the information specified in paragraph (d)(1) of this section in, or incorporate such information by reference from such proxy or information statement filed with the Commission into, its annual report filed with the Commission pursuant to the requirements of section 13(a) or 15(d) of the Act (15 U.S.C. 78m(a) or 78o(d)).

(e) Definitions. Unless the context otherwise requires, all terms used in this section have the same meaning as in the Act. In addition, unless the context otherwise requires, the following definitions apply for purposes of this section:

(1)(i) The term affiliate of, or a person affiliated with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii)(A) A person will be deemed not to be in control of a specified person for purposes of this section if the person:

(1) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and

(2) Is not an executive officer of the specified person.

(B) Paragraph (e)(1)(ii)(A) of this section only creates a safe harbor position that a person does not control a specified person. The existence of the safe harbor does not create a presumption in any way that a person exceeding the ownership requirement in paragraph (e)(1)(ii)(A)(1) of this section controls or is otherwise an affiliate of a specified person.

(iii) The following will be deemed to be affiliates:

(A) An executive officer of an affiliate;

(B) A director who also is an employee of an affiliate;

(C) A general partner of an affiliate; and

(D) A managing member of an affiliate.

(iv) For purposes of paragraph (e)(1)(i) of this section, dual holding companies will not be deemed to be affiliates of or persons affiliated with each other by virtue of their dual holding company arrangements with each other, including where directors of one dual holding company are also directors of the other dual holding company, or where directors of one or both dual holding companies are also directors of the businesses jointly controlled, directly or indirectly, by the dual holding companies (and, in each case, receive only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the dual holding companies or any entity that is jointly controlled, directly or indirectly, by the dual holding companies).

(2) In the case of foreign private issuers with a two-tier board system, the term board of directors means the supervisory or non-management board.

(3) In the case of a listed issuer that is a limited partnership or limited liability company where such entity does not have a board of directors or equivalent body, the term board of directors means the board of

directors of the managing general partner, managing member or equivalent body.

(4) The term control (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(5) The term dual holding companies means two foreign private issuers that:

(i) Are organized in different national jurisdictions;

(ii) Collectively own and supervise the management of one or more businesses which are conducted as a single economic enterprise; and

(iii) Do not conduct any business other than collectively owning and supervising such businesses and activities reasonably incidental thereto.

(6) The term executive officer has the meaning set forth in § 240.3b-7.

(7) The term foreign private issuer has the meaning set forth in § 240.3b-4(c).

(8) The term indirect acceptance by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.

(9) The terms listed and listing refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

Instructions to § 240.10A-3.

1. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v) and (c)(3)(vi) of this section do not conflict with, and do not affect the application of, any requirement or ability under a listed issuer's governing law or documents or other home country legal or listing provisions that requires or permits shareholders to ultimately vote on, approve or ratify such requirements. The requirements instead relate to the assignment of responsibility as between the audit committee and management. In such an instance, however, if the listed issuer provides a recommendation or nomination regarding such responsibilities to shareholders, the audit committee of the listed issuer, or body performing similar functions, must be responsible for making the recommendation or nomination.

2. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v), (c)(3)(vi) and Instruction 1 of this section do not conflict with any legal or listing requirement in a listed issuer's home jurisdiction that prohibits the full board of directors from delegating such responsibilities to the listed issuer's audit committee or limits the degree of such delegation. In that case, the audit committee, or body performing similar functions, must be granted such responsibilities, which can include advisory powers, with respect to such matters to the extent permitted by law, including submitting nominations or recommendations to the full board.

3. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v) and (c)(3)(vi) of this section do not conflict with any legal or listing requirement in a listed issuer's home jurisdiction that vests such responsibilities with a government entity or tribunal. In that case, the audit committee, or body performing similar functions, must be granted such responsibilities, which can include advisory powers, with respect to

such matters to the extent permitted by law.

4. For purposes of this section, the determination of a person's beneficial ownership must be made in accordance with § 240.13d-3.

2. COMPLIANCE:

(a) CERTIFICATION: Initially, issuers listed on the Boston Stock Exchange or issuers applying for listing on the Exchange shall submit a statement indicating compliance with this Rule by the dates of effectiveness indicated below, and annually thereafter, in conjunction with the filing of the issuer's annual audited financial statement. Such issuers shall inform the Exchange promptly in the event of any of the following:

(1) A change in membership of any member of the audit committee, and a statement indicating compliance with this Rule as it pertains to any new member of such committee;

(2) Any event that would materially alter the independence of the audit committee or otherwise violate any of the Rules set forth herein or SEC Rule 10A-3;

(3) Any amendment to the corporate charter of the issuer having any effect on the issuer's audit committee;

(4) Upon the issuer's executive officer becomes aware of noncompliance by the issuer with any part of this Rule; and

(5) Any reliance upon any exemption or exclusion from this Rule.

(b) AUDIT COMMITTEES FOR INVESTMENT COMPANIES: In addition to the requirements of Section 10A(1)(b)(3), audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(c) RESPONSE TO EXCHANGE INQUIRIES: Listed companies shall promptly respond to any inquiry by the Exchange regarding the companies' audit committee, its independence, or the members thereof.

(d) ENFORCEMENT AND OPPORTUNITY TO CURE DEFECTS: A listed issuer that has been deemed not in compliance with this Rule shall be given notice of such non-compliance and given thirty (30) days from the time of notice to either rectify the matter or submit a plan of resolution in writing to the Exchange. Upon submission of such, the Exchange shall determine whether the issuer has complied with this Rule or will comply within a reasonable time, not to exceed six months. If a member of a listed issuer's audit committee ceases to be independent as set forth herein, such issuer may request, in writing, that such member remain on the audit committee until the earlier of the next annual shareholders meeting, or one year from the occurrence of the event that caused the member to be no longer independent, provided however, that the event that caused non-independence was outside such member's reasonable control. In the event that the issuer fails to so comply, the Exchange shall take the following measures:

(1) Thirty (30) days after notice of non-compliance, all securities of the issuer listed on the Exchange shall be suspended from trading pending resolution of the matter.

(2) Sixty (60) days after notice of suspension: all securities of the issuer listed on the Exchange, shall be involuntarily delisted from the Exchange.

(e) EFFECTIVENESS: Small business issuers and foreign private issuers must be in compliance with the

provisions of this Section 10A by July 31, 2005. All other issuers listed on the Exchange must be in compliance with this Rule no later than the earlier of the issuer's first annual shareholders meeting after January 15, 2004, or in no case later than October 31, 2004.

B.1. Definitions

(a) For purposes of this Section 10.B., unless the context requires otherwise:

(1) "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

(2) "Independent director" means a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company;

(B) a director who accepted or who has a Family Member who accepted any payments from the company or any parent or subsidiary of the company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:

(i) compensation for board or board committee service;

(ii) payments arising solely from investments in the company's securities;

(iii) compensation paid to a Family Member who is a non-executive employee of the company or a parent or subsidiary of the company;

(iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or

(v) loans permitted under Section 13(k) of the Act. Provided, however, that audit committee members are subject to additional, more stringent requirements under paragraph 2 (c) of this Section 10.B.

(C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company as an executive officer;

(D) a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000 (\$1 million of the listed company is also listed on the New York Stock Exchange), whichever is more, other than the following:

(i) payments arising solely from investments in the company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the listed company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the listed company serve on the compensation committee of such other entity;

or

(F) a director who is, or has a Family Member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years.

(G) In the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the company as defined in section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

Interpretive Material

It is important for investors to have confidence that individuals serving as independent directors do not have a relationship with the listed company that would impair their independence. The board has a responsibility to make an affirmative determination that no such relationships exist through the application of Section 10.B.1. Section 10.B.1. also provides a list of certain relationships that preclude a board finding of independence. These objective measures provide transparency to investors and companies, facilitate uniform application of the rules, and ease administration. Because the Exchange does not believe that ownership of company stock by itself would preclude a board finding of independence, it is not included in the aforementioned objective factors. It should be noted that there are additional, more stringent requirements that apply to directors serving on audit committees, as specified in Section 10.B.2 (c).

The rule's reference to a "parent or subsidiary" is intended to cover entities the issuer controls and consolidates with the issuer's financial statements as filed with the U.S. Securities and Exchange Commission (but not if the issuer reflects such entity solely as an investment in its financial statements). The reference to executive officer means those officers covered in Rule 16a-1(f) under the Act. In the context of the definition of Family Member under Section 10.B.1(a)(1), the reference to marriage is intended to capture relationships specified in the rule (parents, children and siblings) that arise as a result of marriage, such as "in-law" relationships.

The three year look-back periods referenced in paragraphs (A), (C), (E) and (F) of the rule commence on the date the relationship ceases. For example, a director employed by the company is not independent until three years after such employment terminates.

Paragraph (B) of the rule is generally intended to capture situations where a payment is made directly to (or for the benefit of) the director or a family member of the director. For example, consulting or personal service contracts with a director or family member of the director or political contributions to the campaign of a director or a family member of the director would be considered under paragraph (B) of the rule.

Paragraph (D) of the rule is generally intended to capture payments to an entity with which the director or Family Member of the director is affiliated by serving as a partner, controlling shareholder or executive officer of such entity. Under exceptional circumstances, such as where a director has direct, significant business holdings, it may be appropriate to apply the corporate measurements in paragraph (D), rather than the individual measurements of paragraph (B). Issuers should contact the Exchange if they wish to apply the rule in this manner. The reference to a partner in paragraph (D) is not intended to include limited partners. It should be noted that the independence requirements of paragraph (D) of the rule are broader than Rule 10A-3(e)(8) under the Act.

Under paragraph (D), a director who is, or who has a Family Member who is, an executive officer of a charitable organization may not be considered independent if the company makes payments to the charity in excess of the greater of the greater of 5% of the charity's revenues or \$200,000. However, the

Exchange encourages companies to consider other situations where a director or their Family Member and the company each have a relationship with the same charity when assessing director independence.

For purposes of determining whether a lawyer is eligible to serve on an audit committee, Rule 10A-3 under the Act generally provides that any partner in a law firm that receives payments from the issuer is ineligible to serve on that issuer's audit committee. In determining whether a director may be considered independent for purposes other than the audit committee, payments to a law firm would generally be considered under Section 10.B.1(2)(D), which looks to whether the payment exceeds the greater of 5% of the recipients gross revenues or \$200,000; however, if the firm is a sole proprietorship, Section 10.B.1(2)(B), which looks to whether the payment exceeds \$60,000, applies.

Paragraph (G) of the rule provides a different measurement for independence for investment companies in order to harmonize with the Investment Company Act of 1940. In particular, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the company as defined in section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee, would not be considered to be independent.

2. Qualitative Listing Requirements for all Exchange Listed Securities

The Exchange shall review the issuer's past corporate governance activities. This review may include activities taking place while the issuer is listed on the Exchange or an exchange that imposes corporate governance requirements, as well as activities taking place after a formerly listed issuer is no longer listed on the BSE or an exchange that imposes corporate governance requirements. Based on such review, the BSE may take any appropriate action, including placing of restrictions on or additional requirements for listing, or the denial of listing of a security if the Exchange determines that there have been violations or evasions of such corporate governance standards. Such determinations shall be made on a case-by-case basis as necessary to protect investors and the public interest.

(a) Applicability

(1) Foreign Private Issuers. The Exchange shall have the ability to provide exemptions from this Section 10.B. to a foreign private issuer when provisions of this Section are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile, except to the extent that such exemptions would be contrary to the federal securities laws, including without limitation those rules required by Section 10A(m) of the Act and Rule 10A-3 thereunder. A foreign issuer that receives an exemption under this subsection shall disclose in its annual reports filed with the Commission each requirement from which it is exempted and describe the home country practice, if any, followed by the issuer in lieu of such requirements. In addition, a foreign issuer making its initial public offering or first U.S. listing on the BSE shall disclose any such exemptions in its registration statement.

(2) Management Investment Companies. Management investment companies (including business development companies) are subject to all the requirements of this Section 10.B., except that management investment companies registered under the Investment Company Act of 1940 are exempt from the requirements of Section 10.B.2. (b) and (f).

(3) Asset-backed Issuers and Other Passive Issuers. The following are exempt from the requirements of Section 10.B.2(b), (c) and (f): (a) asset-backed issuers; and (b) issuers, such as unit investment trusts, that are organized as trusts or other unincorporated associations that do not have a board of directors or persons acting in a similar capacity and whose activities are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(4) Cooperatives. Cooperative entities, such as agricultural cooperatives, that are structured to comply with relevant state law and federal tax law and that do not have a publicly traded class of common stock are exempt from Section 10. B. 2 (b). However, such entities must comply with all federal securities laws, including without limitation those rules required by Section 10A(m) of the Act and Rule 10A-3 thereunder.

(5) Effective Dates/Transition. In order to allow companies to make necessary adjustments in the course of their regular annual meeting schedule, and consistent with Exchange Act Rule 10A-3, the requirements of this Section 10.B. are effective as set out in this subsection. During the transition period between July 9, 2004 and the effective date of Rule 10.B., companies that have not brought themselves into compliance with Rule 10.B. must continue to comply with Rule 10.A.

The provisions of Section 10.B.1 and Section 10.B.2 (b), (c) and (e) regarding director independence, independent committees, and notification of noncompliance shall be implemented by the following dates:

July 31, 2005 for foreign private issuers and small business issuers (as defined in Rule 12b-2); and

For all other listed issuers, by the earlier of: (1) the listed issuer's first annual shareholders meeting after July 31, 2004; or (2) October 31, 2004.

In the case of an issuer with a staggered board, with the exception of the audit committee requirements, the issuer shall have until their second annual meeting after January 15, 2004, but not later than December 31, 2005, to implement all new requirements relating to board composition, if the issuer would be required to change a director who would not normally stand for election at an earlier annual meeting. Such issuers shall comply with the audit committee requirements pursuant to the implementation schedule bulleted above.

Issuers that have listed or shall be listed in conjunction with their initial public offering shall be afforded exemptions from all board composition requirements consistent with the exemptions afforded in Rule 10A-3(b)(1)(iv)(A) under the Act. That is, for each committee that the company adopts, the company shall have one independent member at the time of listing, a majority of independent members within 90 days of listing and all independent members within one year. It should be noted, however, that investment companies are not afforded these exemptions under Rule 10A-3. Issuers may choose not to adopt a compensation or nomination committee and may instead rely upon a majority of the independent directors to discharge responsibilities under the rules. These issuers shall be required to meet the majority independent board requirement within one year of listing.

Companies transferring from other markets with a substantially similar requirement shall be afforded the balance of any grace period afforded by the other market. Companies transferring from other listed markets that do not have a substantially similar requirement shall be afforded one year from the date of listing on the Exchange. This transition period is not intended to supplant any applicable requirements of Rule 10A-3 under the Act.

The limitations on corporate governance exemptions to foreign private issuers shall be effective July 31, 2005. However, the requirement that a foreign issuer disclose the receipt of a corporate governance exemption from the Exchange shall be effective for new listings and filings made after July 31, 2004. Section 10.B.2 (f), requiring issuers to adopt a code of conduct, shall be effective July 31, 2004.

Section 10.B.2 (d), requiring audit committee approval of related party transactions, shall be effective July 31, 2004.

The remainder of Section 10.B.2(a) is effective July 31, 2004.

(b) Independent Directors

(1) A majority of the board of directors must be comprised of independent directors as defined in this Section 10 (subject to the exception set forth in paragraph (g) with respect to small business issuers). The company must disclose in its annual proxy (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) those directors that the board of directors has determined to be independent. If an issuer fails to comply with this requirement due to one vacancy, or one director ceases to be independent due to circumstances beyond their reasonable control, the issuer shall regain compliance with the requirement by the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision shall provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(2) Independent directors must have regularly scheduled meetings at which only independent directors are present ("executive sessions").

(3) Compensation of Officers

(A) Compensation of the chief executive officer of the company must be determined, or recommended to the Board for determination, either by:

- (i) a majority of the independent directors, or
- (ii) a compensation committee comprised solely of independent directors.

The chief executive officer may not be present during voting or deliberations.

(B) Compensation of all other executive officers must be determined, or recommended to the Board for determination, either by:

- (i) a majority of the independent directors, or
- (ii) a compensation committee comprised solely of independent directors.

(C) Notwithstanding paragraphs (3)(A)(ii) and (3)(B)(ii) above, if the compensation committee is comprised of at least three members, one director who is not independent and is not a current officer or employee or a Family Member of an officer or employee, may be appointed to the compensation committee if the board, under exceptional and limited circumstances, determines that such individual's membership on the committee is required by the best interests of the company and its shareholders, and the board discloses, in the proxy statement for the next annual meeting subsequent to such determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for the determination. A member appointed under this exception may not serve longer than two years.

(4) Nomination of Directors

(A) Director nominees must either be selected, or recommended for the Board's selection, either by:

- (i) a majority of the independent directors, or

(ii) a nominations committee comprised solely of independent directors.

(B) Each issuer must certify that it has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

(C) Notwithstanding paragraph (4)(A)(ii) above, if the nominations committee is comprised of at least three members, one director, who is not independent and is not a current officer or employee or a Family Member of an officer or employee, may be appointed to the nominations committee if the board, under exceptional and limited circumstances, determines that such individual's membership on the committee is required by the best interests of the company and its shareholders, and the board discloses, in the proxy statement for next annual meeting subsequent to such determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for the determination. A member appointed under this exception may not serve longer than two years.

(D) Independent director oversight of director nominations shall not apply in cases where the right to nominate a director legally belongs to a third party. However, this does not relieve a company's obligation to comply with the committee composition requirements under Section 10.B.2 (b) and (c).

(E) This Section 10.B.2 (b)(4) is not applicable to a company if the company is subject to a binding obligation that requires a director nomination structure inconsistent with this rule and such obligation pre-dates the approval date of this rule.

(5) A Controlled Company is exempt from the requirements of this Section 10.B.2 (b), except for the requirements of subsection (b)(2) which pertain to executive sessions of independent directors. A Controlled Company is a company of which more than 50% of the voting power is held by an individual, a group or another company. A Controlled Company relying upon this exemption must disclose in its annual meeting proxy statement (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) that it is a Controlled Company and the basis for that determination.

(c) Audit Committee

(1) Audit Committee Charter

Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify:

(A) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;

(B) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard 1, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor; and

(C) the committee's purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer;

(D) the specific audit committee responsibilities and authority set forth in Section 10.B.2(c)(3).

(2) Audit Committee Composition

(A) Each issuer must have, and certify that it has and will continue to have, an audit committee of at least three members (subject to the exception set forth in paragraph (g) with respect to small business issuers), each of whom must: (i) be independent; (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Act (subject to the exemptions provided in Rule 10A-3(c)); (iii) not have participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

(B) Notwithstanding paragraph (2)(A)(i), one director who: (i) is not independent; (ii) meets the criteria set forth in Section 10A(m)(3) under the Act and the rules thereunder; and (iii) is not a current officer or employee or a Family Member of such officer or employee, may determine (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve longer than two years and may not chair the audit committee.

(3) Audit Committee Responsibilities and Authority

The audit committee must have the specific audit committee responsibilities and authority necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Act (subject to the exemptions provided in Rule 10A-3(c)), concerning responsibilities relating to: (i) registered public accounting firms, (ii) complaints relating to accounting, internal accounting controls or auditing matters, (iii) authority to engage advisors, and (iv) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(4) Cure Periods

(A) If an issuer fails to comply with the audit committee composition requirement under Rule 10A-3(b)(1) under the Act and Section 10.B.2 (c)(2) because an audit committee member ceases to be independent for reasons outside the member's reasonable control, the audit committee member may remain on the audit committee until the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision must provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(B) If an issuer fails to comply with the audit committee composition requirement under Section 10.B.2 (c)(2)(A) due to one vacancy on the audit committee, and the cure period in paragraph (A) is not otherwise being relied upon for another member, the issuer will have until the earlier of the next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision must provide notice to the Exchange immediately upon learning

of the event or circumstance that caused the non-compliance.

(d) Conflicts of Interest

Each issuer shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the company's audit committee or another independent body of the board of directors. For purposes of this rule, the term "related party transaction" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

(e) Notification of Material Noncompliance

An issuer must provide the Exchange with prompt notification after an executive officer of the issuer becomes aware of any material noncompliance by the issuer with the requirements of Section 10.B.2.

(f) Code of Conduct be appointed to the audit committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual proxy statement subsequent to such

Each issuer shall adopt a code of conduct applicable to all directors, officers and employees, which shall be publicly available. A code of conduct satisfying this rule must comply with the definition of a "code of ethics" set out in Section 406(c) of the Sarbanes-Oxley Act of 2002 ("the Sarbanes-Oxley Act") and any regulations promulgated thereunder by the Commission. See 17 C.F.R. 228.406 and 17 C.F.R. 229.406. In addition, the code must provide for an enforcement mechanism. Any waivers of the code for directors or executive officers must be approved by the Board. Domestic issuers shall disclose such waivers in a Form 8-K within five business days. Foreign private issuers shall disclose such waivers either in a Form 6-K or in the next Form 20-F.

(g) Small Business Issuers – Small business issuers (as defined in Rule 12b-2 under the Securities Exchange Act of 1934) are subject to all requirements specified in this Section, except that such issuers are only required to maintain a Board of Directors comprised of at least 50% independent directors, and an Audit Committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Adopted.

December 1, 2003.

Amended.

July 9, 2004

Chapter XXVIII – Settlement of C.O.D. Transactions

Settlement of C.O.D. Transactions

No member or member organization shall accept an order from a customer pursuant to an arrangement whereby payment for securities purchased is to be made to the member or member organization upon delivery of the securities to an agent of the customer, or whereby payment for securities sold is to be made by the member or member organization to an agent of the customer upon receipt of the securities from such agent, unless all of the following procedures are followed:

(1) The member or member organization shall have received from the customer prior to or at the time of

accepting the order, the name and address of the agent and the name and account number of the customer on file with the agent to which the securities are to be delivered or from which they are to be received, as the case may be;

(2) Each order accepted from the customer pursuant to such an arrangement has noted thereon the fact that it is a payment on delivery (POD) or collect on delivery (COD) transaction;

(3) The member or member organization delivers to the customer a confirmation, or in lieu thereof delivers to the customer all relevant data customarily contained in a confirmation, with respect to the execution of the order, in whole or in part, not later than the close of business on the next business day after any such execution; and

(4) The member or member organization has obtained an agreement from the customer that the customer will furnish his agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will assure that such instructions are delivered to his agent no later than:

(i) in case of a purchase by the customer where the agent is to receive the securities against payment (COD), the close of business on the second business day after the date of execution of the trade as to which the particular confirmation or relevant data relates; or

(ii) in the case of a sale by the customer where the agent is to deliver the securities against payment (POD), the close of business on the first business day after the date of execution of the trade as to which the particular confirmation or relevant data relates.

••• Commentary: ...

.01 A confirmation with respect to a COD or POD transaction pursuant to this Rule must set forth all of the information normally contained on customer confirmations, including name and account number of customer, date of entry of order, security, amount, price, and any specific instructions relating thereto. If the order has been only partially executed, the confirmation should show the number of shares or units which remain to be executed.

.02 Under subparagraph (3) of this Rule, the member organization must assure that the confirmation is physically delivered to the customer no later than the close of business on the next business day after the date of execution, regardless of whether the order has been fully executed or only partially executed. Thus, the mailing of confirmations may not be sufficient to assure compliance with this Rule. If the customer's office is so located that physical delivery of the confirmation cannot be made within the specified time period, the member organization must make other arrangements to assure that the customer actually received the relevant information by the close of business on the date following the date of execution. This may be accomplished by telegram, teletype, telephone or similar means of communication, followed by delivery or mailing of the written confirmation. In case the relevant information concerning a confirmation is furnished to a customer by telephone communication, the member or member organization should prepare and preserve a memorandum of such conversation as evidence of delivery of the required information.

.03 The agreement by the customer to furnish his agent with instructions for receiving or delivering securities upon receipt of information concerning executions must likewise provide for actual delivery of such instructions within the time period specified in subparagraph (4) of this Rule. Again, if such instructions cannot be hand delivered, wire communications must be used.

Adopted.

July 8, 1971.

Amended.

April 7, 1995.

Chapter XXIX – Trading in Securities Subject to the Interest Equalization Tax Act and Extension

Trading in Securities Subject to the Interest Equalization Tax Act and Extensions Amended.

July 17, 1973.

Deleted.

March 27, 1981.

Chapter XXX – Disciplining of Members

BX Rules 9000 Series (Code of Procedure) are the applicable procedures governing disciplining of Members, Participants and associated persons.

Amended.

May 14, 2012

Chapter XXXI – Intermarket Trading System

Intermarket Trading System

Section (1) (a) Definitions -

(i) The term "Plan" as used in Exchange rules shall mean the plan agreed upon by the participating market centers, as from time to time amended in accordance with the provisions therein, and approved by the Securities and Exchange Commission pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934, as amended (the Act). The purpose of the Plan is to enable the participating market centers to act jointly in planning, developing, operating and regulating the System and its applications so as to further the objectives of Congress as set forth in Section 11A(a) of the Act.

(ii) The term "System" as used in Exchange rules shall mean the communications network and related equipment that links electronically the participating market centers as described in the Plan. The System also includes the ITS Control Center ("ICC"), which monitors and controls communications within the system, including the processing of error conditions. The ICC staff is also able to enter adjustments of any trade pursuant to the procedures specified in Section (5) of this chapter.

(iii) The term "Eligible Listed Security" as used in Exchange rules shall mean any security on the Exchange which may be traded through the System.

(iv) The term "Intermarket Trading System" (ITS) as used in Exchange rules shall mean the application of the System which permits intra-day trading in Eligible Listed Securities between participating market centers as set forth in the Plan.

(v) The term "Pre-Opening Application" as used in Exchange rules shall mean the application of the System which permits a specialist in one participating market center, who wishes to open his market in an Eligible Listed Security to obtain from other specialists registered in that security in other participating market centers any pre-opening interests such other specialists might decide to disclose as set forth in the Plan.

(vi) The term "Previous day's closing price" as used in Exchange rules shall mean the last price at which a transaction in a security was reported by the Consolidated Last Sale reporting system on the last previous day on which transactions in the security were reported by such system; provided, however, that in the event that unusual market conditions render prices inappropriate as the basis for the Pre-Opening Application, the Exchange may specify that the "previous days consolidated closing price" for all Network A or Network B eligible securities shall be the last price at which a transaction in the security was reported by the NYSE or the AMEX, respectively, pursuant to the ITS Plan.

(vii) "Participant(s) Market" as used in Exchange rules shall mean each Exchange/Market, including Remote Specialist premises on which ITS stations are located, and the ITS/CAES Third Market.

(b) Provisions of the Plan -- By subscribing to and submitting the Plan for filing with the Securities and Exchange Commission, the Exchange has agreed to comply to the best of its ability, and, absent reasonable justification or excuse, to enforce compliance by its members, with the provisions of the Plan. In this connection, the following shall apply:

Amended.

September 11, 2000.

Section (2) Intermarket Trading System (ITS)

(a) All transactions effected through ITS shall be on a "regular way" basis. Each transaction effected through ITS shall be cleared and settled through a clearing agency registered with the Securities and Exchange Commission which maintains facilities through which ITS transactions may be compared and settled and which agrees to supply each participating market center with data reasonably requested in order to permit such market center to enforce compliance by its members with the provisions of the Act, the rules and regulations thereunder, and the rules of such market center.

(b) Any "commitment to trade", which is transmitted by a member to another participating market center through ITS, shall be firm and irrevocable for the period of time following transmission as is chosen by the sender of the commitment. All such commitments to trade shall, at a minimum:

(i) identify one or more clearing members,

(ii) direct the commitment to a particular participating market center,

(iii) specify the security which is the subject of the commitment,

(iv) designate the commitment as either a commitment to buy or a commitment to sell,

(v) specify the amount of the security to be bought or sold, which amount shall be for one unit of trading or any multiple thereof,

(vi) specify the price at or below which the security is to be bought or the price at or above which the security is to be sold, or specify that the commitment is a commitment to trade "at the market",

(vii) designate the commitment "short" or "short exempt" whenever it is a commitment to sell which, if it should result in an execution in the market of the receiving market center, would result in a short sale to which the provisions of paragraph (a) of Rule 10a-1 under the Act would apply,

(viii) specify the time period during which the commitment shall be irrevocable, but if the time period is not specified in the commitment, the longer of the two options available under the Plan shall be assumed by ITS.

(c) Each commitment to trade sent through ITS (other than a commitment to trade "at the market"), if a commitment to buy, shall be priced at the offer price then being displayed from the market center to which the commitment is sent and, if a commitment to sell, shall be priced at the bid price then being displayed from such market center.

(i) A "commitment to trade" received on the Floor through ITS shall be treated in the same manner, and entitled to the same privileges, as would an immediate or cancel order that reaches the Floor at the same time except as otherwise provided in the Plan and except further that such a commitment may not be "stopped" and the commitment shall remain irrevocable for the time period chosen by the sender of the commitment

(d) The member on the Floor who made the bid or offer which is sought by a commitment to trade received on the Floor through ITS shall accept such commitment to trade up to the amount of the bid or offer if the bid or offer is still available on the Floor when the commitment to trade is received by such member, unless acceptance is precluded by the rules of the Exchange. In the event that the bid or offer which is sought by a commitment to trade is no longer available on the Floor when the commitment is received, but a new bid or offer is available on the Floor which would enable the commitment to trade to be executed at a price which is as or more favorable than the price specified in such commitment, then the member who has made such new bid or offer shall accept such commitment at the price, and up to the amount of, his bid or offer, unless acceptance is precluded by the rules of the Exchange.

(e) Any member to whom a commitment to trade received through ITS is communicated and who intends to reject that commitment shall notify the market center from which the commitment was sent of such rejection as promptly as possible.

(f) Any commitment to trade received on the Floor through ITS and any execution thereof and any commitment to trade issued by a member through ITS shall be subject to such rules as the Exchange may from time to time determine.

Section (3) Pre-Opening Application

The provisions of Sec. (2) (a) above shall also be applicable to any transaction effected through the Pre-Opening Application. The Pre-Opening Application applies in two instances. First, it applies whenever a market-maker in any Participant Market, in arranging an opening transaction in his market in a System security, anticipates that the opening transaction will be at a price that represents a change from the security's "previous day's consolidated closing price" at more than the "applicable price change". Second, it applies whenever an "indication of interest" (i.e., an anticipated opening price range) is sent to the CTA Plan Processor as required or permitted by the CTA Plan or a Participant Market's rules.

(a) Openings on the Exchange

(I) Notification Requirements

(A) Applicable Price Change

(i) Initial Notification --Whenever an Exchange specialist, in arranging an opening transaction on the Exchange in any Eligible Listed Security, anticipates that the opening transaction on the Exchange will be at a price that represents a change from the security's previous day's consolidated closing price of more than the "applicable price change" (as defined below), he shall notify the other Participant markets of the situation by sending a "pre-opening notification" through the System. Thereafter, the specialist shall not open the security in his market until not less than three minutes after his transmission of the pre-opening notification. The "applicable price changes" are:

Applicable Price

<i>Security</i>	<i>Consolidated Closing Price</i>	<i>Change \$ (More Than)</i>
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Network A	Under \$15	.10
	\$15 or over	.25*
Network B	Under \$5	.10
	\$5 or over	.25**

* If the previous day's consolidated closing price of a Network A Eligible Security exceeded \$100 and the Security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price change" is one dollar.

** If the previous day's consolidated closing price of a Network B Eligible Security exceeded \$75 and the Security is not Portfolio Deposit Receipts, Index Fund Shares, or Trust Issued Receipts, or does not underlie an individual stock options contract listed and currently trading on a national securities exchange, the "applicable price change" is one dollar.

A pre-opening notification shall

(A) be designated as a pre-opening notification ("IND"),

(B) identify the Exchange ("X"), the Exchange specialist and the security ("XYZ"), and

(C) indicate the "applicable price range" by being formatted as a standardized pre-opening administrative message as follows:

IND X/XYZ [RANGE]

The price range shall not exceed the "applicable price range" shown below:

<i>Security</i>	<i>Consolidated Closing Price</i>	<i>Applicable Price Range \$</i>
Network A	Under \$50	.50
	\$50 or over	1.00*
Network B	Under \$10	.50
	\$10 or over	1.00*

* If the previous day's consolidated closing price of a Network A Eligible Security exceeded \$100 and the Security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price range" is two dollars.

** If the previous day's consolidated closing price of a Network B Eligible Security exceeded \$75 and the Security is not Portfolio Deposit Receipts, Index Fund Shares, or Trust Issued Receipts, or does not underlie an individual stock options contract listed and currently trading on a national securities exchange, the "applicable price change" is two dollars.

The price range also shall not straddle the previous day's consolidated closing price, although it may include it as an endpoint (e.g., a 40.15 - 40.65 price range would be permissible if the previous day's consolidated closing price were 40.15 or 40.65, but not if the closing price were within the price range of 40.16 - 40.64).

(ii) Subsequent Notifications --If, after sending a pre-opening notification, the situation in an Exchange specialist's market changes, he may have to issue a subsequent pre-opening notification. The three situations requiring subsequent notifications are described below. Subsequent pre-opening notifications shall be standardized pre-opening administrative messages. After sending a subsequent notification, the specialist shall wait either (1) one minute or (2) until the balance of the original three-minute waiting period

expires, whichever is longer, before opening his market (i.e., if more than one minute of the initial waiting period has not yet expired at the time the subsequent notification is sent, the specialist must wait for the rest of the period to pass before opening his market).

(A) Increase or Decrease in Applicable Price Range --Where, prior to the specialist's opening of his market in the security, his anticipated opening price shifts so that it (1) is outside of the price range specified in his pre-opening notification but (2) still represents a change from the previous day's consolidated closing price of more than the applicable price change, he shall issue a replacement pre-opening notification (an "additional" notification) through the System before opening his market in the security. An additional notification contains the same kind of information as is required in an original pre-opening notification.

(B) Shift to within Applicable Price Change Parameter --(i) The specialist shall, by issuing a "cancellation" notification through the System, notify the Participant market(s) of the receiving market-maker(s) prior to opening the security if the price at which he anticipates opening his market shifts so that it (1) is outside of the price range specified in his pre-opening notification but

(2) does not represent a change from the previous day's consolidated closing price of more than the applicable price change.

(ii) Notwithstanding the preceding sentence, in situations where the price range in an initial or additional notification includes price variations equal to or less than the applicable price change parameters, the "cancellation" notification signifies that the anticipated opening price: (1) may or may not be outside of the price range specified in the pre-opening notification and (2) does not represent a change from the previous day's consolidated closing price of more than the applicable price change.*

* Example: CTA close at 30. Pre-Opening Notification sent with any one of the following price ranges: 30 - 30.64; 30.10 - 30.74; or 30.25 - 30.87. It is then determined that the stock will open at a price within the range of 29.75 to 29.99. Under paragraph (3)(a)(I)(A)(ii)(B)(i), the specialist "shall" send a cancellation notification. If it is subsequently determined that the stock will open at a price within a range of 30 to 30.25, the specialist need not reindicate the stock pursuant to paragraph (3)(a)(I)(A)(ii)(B)(ii).

(C) Participation as Principal Precluded ("Second Look") --If a responding market-maker, who has shown in his pre-opening response interest as principal at a price better than the anticipated opening price, would be precluded from participation as principal in the opening transaction (e.g., his responding principal interest is to sell at a price .01 or more below the opening price established by paired agency orders), the specialist shall send a "second look" notification through the System notifying such responding market-maker of the price and size at which he could participate as principal (i.e., in the parenthetical example above, the total amount of the security that he would have to sell at the better price to permit the opening transaction to occur at that price).

(iii) Tape Indications --If the CTA Plan or the Exchange's rules require or permit that an "indication of interest" (i.e., an anticipated opening price range) in a security be furnished to the consolidated last sale reporting system prior to the opening of trading, or the reopening of trading following a halt or suspension in trading in one or more Eligible Listed Securities, then the furnishing of an indication of interest in such situations shall, without any other additional action required of the specialist, (1) initiate the Pre-Opening process, and (2) if applicable, substitute for and satisfy the requirements of (3)(a)(i)(A)(1), (3)(a)(ii)(A) and (3)(a)(ii)(B). (While the furnishing of an indication of interest to the consolidated last sale reporting system satisfies the notification requirements of this rule, a specialist should also transmit the indication through the System in the format of a standardized pre-opening administrative message.) In any such situation, the specialist shall not open or reopen the security until not less than three minutes after his transmission of the opening or reopening indication of interest. For the purpose of paragraphs (a)(ii), (a)(iii), (a)(iv)(C) and (a)(vi)-(vii), "pre-opening notification" includes an indication of interest furnished to the consolidated last sale reporting service.

(II) Pre-Opening Responses

(A) Decision on Opening Transaction --Subject to paragraph (a)(II)(B), if an Exchange specialist who has issued a pre-opening notification receives "pre-opening responses" through the system containing "obligations to trade" from market-makers in other Participant Markets ("responding market-makers"), he shall combine those obligations with orders he already holds in the security and, on the basis of this aggregated information, decide upon the opening transaction in the security. If the specialist has received more than one pre-opening response from a Participant Market, he shall include in such combination only those obligations to trade from such Participant Market as are specified in the most recent response, whether or not the most recent response expressly cancels the preceding response(s). An original or revised response received after the specialist has effected his opening transaction shall be to no effect.

(B) Pre-Opening Responses from Open Markets --An Exchange specialist must accept only those pre-opening responses sent to the Exchange by market-makers in other Participant Markets prior to the opening of their markets for trading in the security. Following a halt or suspension in trading on the Exchange, a specialist must accept only those pre-opening responses sent by market-makers to the Exchange from other Participant Markets that halted trading in the security contemporaneously with the Exchange and that had not resumed trading in the security at the time the pre-opening response was sent.

In the event that one or more market-makers from Participant Markets that have already opened trading in a security or, with respect to a halt or suspension in trading, either did not halt trading in a security contemporaneously with the Exchange, or has already resumed trading in a security, respond to a pre-opening notification in that security, the specialist need not, but may in his discretion, accept such responses for the purpose of inclusion in the opening or reopening transaction. In the event that a Participant Market opens or, with respect to a halt or suspension in trading, resumes trading in a security subsequent to a market-maker in that Participant Market sending a pre-opening response but prior to the opening or reopening transaction on the Exchange, the market-maker who sent the pre-opening response to the Exchange must confirm the pre-opening response by sending an administrative message through the System stating that the response remains valid; if the market-maker fails to so confirm the pre-opening response, the specialist need not, but may in his discretion, accept the original response for the purpose of inclusion in the opening or reopening transaction.

(C) Allocation of Imbalances --Whenever pre-opening responses from one or more responding market-makers include obligations to take or supply as principal more than 50 percent of the opening imbalance, the Exchange specialist may take or supply as principal 50 percent of the imbalance at the opening price, rounded up or down as may be necessary to avoid the allocation of odd lots. In any such case where the pre-opening response is from more than one responding market-maker, the specialist shall allocate the remaining imbalance (which may be greater than 50 percent if the specialist elects to take or supply less than 50 percent of the imbalance) among them in proportion to the amount each obligated himself to take or supply as principal at the opening price in his pre-opening response, rounded up or down as may be necessary to avoid the allocation of odd lots. For the purpose of this paragraph (a)(II)(C), multiple responding market-makers in the same Eligible Listed Security in the same Participant Market shall be deemed to be a single responding market-maker.

(D) Treatment of Obligations to Trade --In receiving a pre-opening response, an Exchange specialist shall accord to any obligation to trade as agent included in the response the same treatment as he would to an order entrusted to him as agent on the Exchange at the same time such obligation was received.

(E) Responses Increasing the Imbalance --An Exchange specialist shall not reject a pre-opening response that has the effect of further increasing the existing imbalance for that reason alone.

(III) Reports of Participation --Promptly following the opening in any security as to which an Exchange specialist issued a pre-opening notification, the specialist shall report to each Participant responsible for a market in which one or more responding market-makers are located

(A) the amount of the security purchased and/or sold, if any, by the responding market-maker(s) in the

opening transaction and the price thereof or (B) if the responding market-maker(s)'s response included agency or principal interest at the opening price that did not participate in the opening transaction, the fact that such interest did not so participate.

(b) Openings in Other Participant Markets

(i) Pre-Opening Responses --Subject to paragraph (b)(ii), whenever an Exchange specialist who has received a pre-opening notification as provided in the ITS Plan in any Eligible Listed Security as to which he is registered as a specialist wishes to participate in the opening of that security in the Participant market from which the pre-opening notification was issued, he may do so by sending obligations to trade through the System to such Participant market in a pre-opening response. A pre-opening response shall

(A) be designated as a pre-opening response ("RES"),

(B) identify the Exchange ("X"), the specialist and the security ("XYZ"), and

(C) show the specialist's interest (if any), both as principal for his own account ("P") and as agent for orders left with him ("A"), at each price level within the price range indicated in the pre-opening notification (e.g., 40.40), reflected on a netted share basis by being formatted as a standardized pre-opening administrative message as follows:

RES X/XYZ BUY [SELL] A-P 40.40)

The response may also show market orders separately. For the purposes of this paragraph (b), "pre-opening notification" includes an "indication of interest" received through the System in compliance with the counterpart to paragraph (a)(x) in another Participant Market's rule pertaining to the Pre-Opening Application.

(ii) Responses When the Exchange is Open --Notwithstanding paragraph (b)(i), an Exchange specialist who has received a pre-opening notification in any Eligible Listed Security in which he is registered as a specialist should not send a pre-opening response to the originator of such notification if (A) the market for trading in the security is open on the Exchange or (B) the Participant Market from which the notification emanated had declared a halt or suspension in trading in such security, and the Exchange either had not halted trading in the security reasonably contemporaneously with the Participant Market or had resumed trading during the halt or suspension in trading.

(iii) Revised Responses --An Exchange specialist may cancel or modify his pre-opening response by sending through the System a revised response that cancels the obligations to trade contained in his original response and, if a modification is desired, that substitutes new obligations to trade stating the specialist's aggregate interest (i.e., his interest reflected in the original response plus any additional interest and/or minus any withdrawn interest) at each price level. Each succeeding response, even if it fails to expressly cancel its predecessor response, shall supersede the predecessor response in its entirety. Any revised response shall be to no effect if received in the Participant market from which the pre-opening notification was issued after the security has opened in such Participant market.

(iv) Sole Means of Pre-Opening Routing --Once a pre-opening notification as to any security is received on the Exchange, the one or more Exchange specialists in such security shall submit any obligations to trade that security as principal for his or their own accounts to the Participant market from which the pre-opening notification was issued only through the Pre-Opening Application and shall not send orders to trade that security for his or their own accounts to such Participant market for participation at the opening in that market by any other means. The foregoing sentence shall have no application to orders sent to that market by the specialist(s) prior to the issuance of a pre-opening notification.

(v) Use of System before Opening or Reopening --No Exchange member, whether acting as principal or agent, shall send an obligation to trade, commitment to trade or order in any security from the Exchange

through the System to any other Participant Market prior to the opening of trading in the security in the Participant Market (or prior to the resumption of trading in the security in the Participant Market following the initiation of a halt or suspension in trading in the security as referred to in Section X of the CTA Plan if the Pre-Opening Application applies) until a pre-opening notification in the security has been issued from the other Participant Market or, if no pre-opening notification is required, until the market in the security has opened in such other Participant Market.

(vi) Duration of Obligations to Trade --Responses to pre-opening notifications shall be voluntary, but each obligation to trade that an Exchange specialist includes in any pre-opening response, or in any modification of a pre-opening response, shall remain binding on him, and on any person for whom he is acting, until the security has opened in the Participant market from which the preopening notification was issued or until a cancellation or modification of such obligation has been received in such Participant market, and any such modification shall itself be binding on the Exchange specialist or such person until a subsequent cancellation or modification thereof has been received in such Participant Market. The preceding sentence applies to obligations to trade even if included in pre-opening responses contravening paragraph (a)(II).

(vii) Request for Participation Report --The ITS Plan anticipates that an Exchange member who has sent one or more obligations to trade in response to a pre-opening notification will request a report through the System as to this participation if he does not receive a report as required promptly following the opening. If, on or following trade date, he does request a report through the System as to his participation before 4:00 p.m. eastern time, and he does not receive a response by 9:30 a.m. eastern time on the next trading day, he need not accept a later report. If he fails to so request a report, he must accept a report until 4:00 p.m. eastern time on the third trading day following the trade date (i.e., on T + 3). The Exchange does not intend this paragraph to relieve him of the obligation, when he does not receive a report, to request a report as soon as he reasonably should expect to have received it.

(viii) Prior to the time a transaction in an issue within the Intermarket Trading System in which no Dealer is registered by the Exchange is consummated, the best ITS System bid or offer at the quoted size, as shown on the montage display system, must be satisfied, if superior in price, by the issuance of an ITS commitment to trade entered from the Exchange Floor. Transactions in ITS Free List issues will be on a strict time priority basis as reflected by the timestamp which is affixed upon receipt of the order. All transactions in Free List issues will be considered effective subject to the review of the quote montage display. Therefore a Member who is in the process of reviewing the quote display after having time-stamped his order may not be displaced by another Member who enters an order while the process is in effect.

••• **Supplementary Material:** ...

.10 For the purposes of this rule, the market in a security is opened (or reopened) with either a trade or quotation, if trades are being reported to the Consolidated Tape and quotes are being disseminated to the Consolidated Quotation System.

Amended.

August 5, 1991.

April 6, 1993.

May 30, 1997.

September 8, 2000.

August 5, 2002

Section (4) Trade-Throughs and Locked Markets

(a) Definitions --

(1) A "trade-through", as that term is used in this Rule, occurs whenever a member on the Exchange purchases a security traded through ITS (referred to in this Rule as "an ITS Security") on the Exchange at a price which is higher than the price at which the security is being offered (or sells such a security on the Exchange at price which is lower than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the offer (bid) then being displayed on the Floor from such other market center. The member described in the foregoing sentence is referred to in this Rule as the member who initiated a trade-through.

(2) A "third participating market center trade-through", as that term is used in this Rule, occurs whenever a member on the Exchange initiates the purchase of an ITS Security by sending a commitment to trade through the System and such commitment results in an execution at a price which is higher than the price at which the security is being offered (or initiates the sale of such a security by sending a commitment to trade through the System and such commitment results in an execution at a price which is lower than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the offer (bid) then being displayed on the Exchange from such other market center. The member described in the foregoing sentence is referred to in this Rule as the "member who initiated a third participating market center trade-through".

(3) A "locked market", as that term is used in this Rule, occurs whenever a bid for an ITS Security is made in an ITS participating market center at a price which equals or exceeds the price at which that security is being offered (or whenever an offer for such a security in an ITS participating market center is made at a price which equals or is less than the price at which that security is being bid for) at that time in another ITS participating market center as reflected by the offer (bid) then being displayed from such other market center. The bid or offer which results in the locked market is referred to in this Rule as the bid or offer which caused a locked market.

(b) Trade-Throughs -

(1) When purchasing or selling, either as principal or agent, any ITS Security on the Exchange, members should avoid initiating a trade-through unless one or more of the provisions of paragraph (b)(3) below are applicable.

(2) Except as provided in paragraph (b)(3) below, if a trade-through occurs and a complaint thereof is received by the Exchange through the System from the party whose bid or offer was traded-through ("the aggrieved party"), then:

(A) if the member who initiated the trade-through and the member on the *contra* side of the transaction had each initiated the transaction while on the Floor for his own account or any account in which he has an interest, the transaction shall be deemed void and a cancellation thereof shall be reported through the consolidated last sale reporting system; or

(B) if the member who initiated the trade-through, or the member on the *contra* side of the transaction, was, or if both such members were, executing (in whole or in part) an order which originated from off the Floor (an "off-Floor order"), then (i) the member who initiated the trade-through shall satisfy, or cause to be satisfied, the bid or offer traded through in its entirety at the price of such bid or offer, or, if he elects not to do so, then (ii) the price of the transaction which constituted the trade-through shall be corrected to a price at which a trade-through would not have occurred and the price correction shall be reported through the consolidated last sale reporting system.

Whenever the provisions of paragraph (b)(2)(B) apply, the off-Floor order or portion thereof which was executed in the transaction which constituted the trade-through (whether such order or portion thereof was

executed by the member who initiated the trade-through or by the member on the contra side of the transaction, or both) shall receive the price which caused the trade-through, or the price at which the bid or offer traded-through was satisfied, if it was satisfied, pursuant to clause (i) of this paragraph (b)(2)(B), or the adjusted price, if there was an adjustment, pursuant to clause (ii) of this paragraph (b)(2)(B), whichever price is most beneficial to the order or portion. Money differences resulting from this paragraph (b)(2)(B) shall be the liability of the member who initiated the trade-through.

(3) The provisions of paragraph (b)(2) above shall not apply under the following conditions:

(A) the size of the bid or offer that was traded-through was for 100 shares;

(B) the member who initiated the trade-through was unable to avoid the trade-through because of a systems/equipment failure or malfunction;

(C) the transaction which constituted the trade-through was not a "regular way" contract;

(D) the trade-through occurred during a period when, with respect to the ITS Security which was the subject of the trade-through, members on the Exchange were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1; *provided, however*, that, unless the provisions of this paragraph (b)(3) (other than those of this subparagraph (D)) apply, during any such period members shall make every reasonable effort to avoid trading-through any bid or offer displayed on the Floor from another ITS participating market center whose members are not relieved of their obligations under said paragraph (c)(2) with respect to such bid or offer;

(E) the bid or offer that was traded-through was being displayed from a market center whose members were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 with respect to such bid or offer;

(F) the bid or offer that was traded-through had caused a locked market in the ITS Security which was the subject of such bid or offer;

(G) a complaint with respect to the trade-through was not received by the Exchange through the System from the aggrieved party promptly following the trade-through and, in any event, within five (5) minutes from the time the report of the transaction which constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system; or

(H) in the case of a third participating market-center trade-through, either;

(i) the member who initiated the trade-through (a) had sent a commitment to trade promptly

following the trade-through that satisfies the bid or offer traded-through and (b) preceded the commitment with an administrative message stating that the commitment was in satisfaction of a third participating market center trade-through, or

(ii) a complaint with respect to the trade-through was not received by the Exchange through the System from the aggrieved party promptly following the trade-through, and, in any event, within ten (10) minutes from the time the aggrieved party sent a complaint through the system to the ITS participating market center that received the commitment to trade that caused the trade-through, which first complaint must have been received within five (5) minutes from the time the report of the transaction that constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system.

(c) Responsibility to Respond Promptly to Trade-Through Complaints --

(1) When a trade-through complaint is received by the Exchange, it shall be the duty of the member who initiated the trade-through to respond as promptly as practicable to the aggrieved party. Such a response shall notify the aggrieved party either

(i) that one of the conditions specified in paragraph (b)(3) of this Rule is applicable (specifying the particular condition), or

(ii) that the complaint is valid and appropriate corrective action is being taken pursuant to paragraph (b)(2) above.

(2) Any member who is an aggrieved party under the trade-through rule of another ITS participating market center may at any time at his discretion take steps to establish and mitigate any loss he might incur as a result of the trade-through of his bid or offer. If so, he shall give prompt notice to such other market center of any such action.

(3) If it is ultimately determined that there was a trade-through, that the action required by either paragraph (b)(2)(A) or (b)(2)(B) above was not taken, and that none of the provisions of paragraph (b)(3) above was applicable, the member who initiated the trade-through shall be liable to the aggrieved party for the lesser of (i) the amount of the actual loss proximately caused by the trade-through and suffered by the aggrieved party, or (ii) the loss proximately caused by the trade-through that would have been suffered by the aggrieved party had he purchased or sold the security subject to the trade-through so as to mitigate his loss and had such purchase or sale been effected at the "loss basis price". For purposes of this paragraph the "loss basis price" shall be the price of the next transaction, as reported by the high speed line of the consolidated last sale reporting system, in the security in question, after one hour has elapsed from the time the complaint is received by the Exchange (or, if the complaint is so received within the last hour of trading on the Exchange on any day, then the price of the opening transaction in such security on the Exchange on the next day on which the Exchange trades that security).

(d) *Locked Markets* -

(1) (A) Except as provided in paragraphs (d)(1)(B) and (d)(2) below, if a locked market occurs and the Exchange receives a complaint through the System from the party whose bid (offer) was locked (the "aggrieved party"), the member responsible for the locking offer (bid) (the "locking member") shall, as specified in the complaint, either promptly "ship" (i.e., satisfy through the System the locked bid (offer) up to the size of his locking offer (bid)) or "unlock" (i.e., adjust his locking offer (bid) so as not to cause a locked market). If the complaint specifies "unlock", he may nevertheless ship instead.

(B) If there is an error in a locking bid or offer that relieves the locking member from his obligations under paragraph (c)(2) of Rule 11Ac1-1 and if the Exchange receives a "ship" complaint through the System from the aggrieved party, the locking member shall promptly cause the quotation to be corrected and, except as provided in paragraph (d)(2) below, he shall notify the aggrieved party through the System of the error within two minutes of receipt of the complaint on the Floor. If the locking member fails to so notify the aggrieved party, he shall promptly ship.

(2) Paragraph (d)(1) above shall not apply under the following conditions:

(A) the locked bid or offer was for 100 shares;

(B) the locking bid or offer no longer prevails on the Floor at the time the complaint is received on the Floor;

(C) the rules of the Exchange would prohibit the issuance of a commitment to trade to satisfy the locked bid or offer;

(D) the locking member makes every reasonable effort to comply with paragraph (d)(1) above, but is unable to comply because of a systems/equipment failure or malfunction;

(E) the locking bid or offer was not for a "regular way" contract; or

(F) the locked market occurred at a time when, with respect to the affected ITS security, members either

on the Exchange or in the ITS participating market center in which the aggrieved member is located were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the "unusual market" exception of paragraph (b)(3) of Rule 11Ac1-1.

••• **Supplementary Material:** ...

11. Nothing in paragraph (d)(2)(B) above is intended to discourage a locking member from electing to ship if the complaint requests him to do so.

(e) The provisions of this Section shall not apply to (1) purchases and sales effected by members participating in the opening (or re-opening) transaction on the Exchange in an ITS Security, or (2) any block trade involving not less than 10,000 shares of an ITS Security or a quantity of such a security having a market value of \$200,000 or more, or any portion of such a block trade, on the Exchange.

(f) The quotation of any dealer who utilizes an automated quotation tracking system shall not be for more than 100 shares.

••• **Supplementary Material:** ...

(1) No member shall buy against a commitment or obligation to sell designated as "short" which is received on the Floor through ITS or any other Application of the System if the resulting transaction would violate the short selling rules as in effect on the Exchange.

(2) Any purchase or sale against a commitment to trade received on the Floor through ITS shall be effected in accordance with the rules applicable to the making of bids, offers and transactions on the Floor.

(3) As used in this Rule the term "System Transaction" shall mean any purchase or sale of a security which results from the acceptance of a commitment or obligation to trade received on the Floor through ITS or the Pre-Opening Application or from the acceptance in another market of a commitment or obligation to trade sent from the Floor through ITS or the Pre-Opening Application. Every commitment to trade which is issued or accepted through ITS shall be entered into the system by the specialist or specialist unit in such security. When a member directly instructs a specialist to issue or accept a commitment to trade, such member, for the purpose of this rule is the "instructing member". Each System transaction shall be reported on the clearing tape generated by the System at the end of each trading day and such tape shall also identify one or more clearing members who will clear and settle each System Transaction. The member on the Floor who instructed the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the System Transaction reported on the clearing tape (the "instructing member") shall also be identified in Exchange records.

(A) Whenever any System Transaction as reported by the clearing tape continues to be unresolved at the close of the second business day following the trade date, notwithstanding the routine comparison procedures employed by the clearing agency to which such System Transaction was reported, the Exchange shall be notified of the uncomparing System Transaction so as to be able to conduct appropriate inquiries on the Floor. The instructing member shall cooperate with the Exchange in the course of its on-Floor inquiries and shall comply with such procedures as the Exchange may from time to time prescribe in an attempt to identify the member or member organization who knows the uncomparing System Transaction. If the on-Floor inquiries conducted by the Exchange fail to identify the member or member organization who knows the uncomparing System Transaction, but the inquiries confirm to the satisfaction of the Exchange that Exchange records were accurate in their identification of the instructing member, and that the instructing member did instruct the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the uncomparing System Transaction as included on the clearing tape, then the instructing member shall accept and honor the transaction or shall cause a member organization to do so in his behalf.

If the on-Floor inquiries conducted by the Exchange identify to the satisfaction of the Exchange, a member,

other than the instructing member, as the person who instructed the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the uncompleted System Transaction as included on the clearing tape, then such other member shall accept and honor the transaction or shall cause a member organization to do so in his behalf.

If the on-Floor inquiries conducted by the Exchange fail to identify the member or member organization who knows the uncompleted System Transaction, and also fail to satisfy the Exchange as to the identity of the member who instructed the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the uncompleted System Transaction as included on the clearing tape, then the specialist or specialist unit which entered or accepted a commitment or obligation to trade which resulted in the uncompleted System Transaction on the clearing tape shall accept and honor the transaction and shall proceed to take all proper steps to establish and mitigate any loss resulting therefrom.

(B)(a) No claim against a specialist or specialist unit which arises as to errors or omissions resulting in loss suffered by a member which are found to have resulted from any failure by a member (whether or not such member is a party to the claim) to place or cancel an instruction clearly and accurately with the specialist or specialist unit on a timely basis, or to communicate clearly and accurately in writing to the specialist or specialist unit.

In addition, no claim shall be allowed if, in the opinion of the arbitration panel provided for in subparagraph (c) of this paragraph (B), the member making such claim did not take promptly, upon discovery of the error or omission, all proper steps to correct such error or omission and to establish and mitigate the loss resulting therefrom.

Further, it shall be the responsibility of the member or member organization who places an instruction with the specialist or specialist unit to keep abreast of the status of that instruction. No claim shall be allowed which is based on a member's assertion that he was not made aware of the status of his instruction and thus failed to take further appropriate action.

(b) Any claim for loss arising from errors or omissions of a specialist or specialist unit shall be presented in writing to the Exchange no later than the opening of trading on the next business day following the day on which the error or omission giving rise to the loss occurred or within such longer period as the Exchange shall consider equitable under the circumstances.

(c) All disputed claims shall be referred for binding arbitration to an arbitration panel and the decision of a majority of the arbitrators selected to hear and determine the controversy shall be final and there shall be no appeal to the Board of Governors from the decision of such panel. The arbitration panel shall be composed of an odd number of panelists. Each of the parties to the dispute shall select one member or allied member to serve as panelist on the arbitration panel. The panelists so selected shall then select one or more additional panelist(s); provided that the additional panelist(s) so selected are either members or allied members of the Exchange, and provided further that no member of the arbitration panel may be a person with a direct or indirect financial interest in the claim. In the event that the initial panelists selected by the parties to the dispute cannot agree on the selection of the additional panelist or panelists, as the case may be, then in that event such additional panelist(s) shall be appointed by a Floor Governor who has no direct or indirect financial interest in the claim. Each party to the dispute may make oral and written submissions and present witnesses to the arbitration panel.

(C) Whenever a clearing agency to which a System Transaction has been reported excludes such System Transaction from the clearance procedures conducted by such agency, either because such agency ceases to act (either with respect to transactions generally or as to a particular transaction) for a member or member organization, or because of the insolvency of such member or member organization, the Exchange may, but shall not be obligated to, assume and honor any one or more or all of such excluded System Transactions for the account of and on behalf of the member or member organization for which the clearing agency ceased to act or which is insolvent and the Exchange may take such action in the market to close out or offset its position as it may deem appropriate. In any such case, the Exchange shall have a claim against such member or member organization in the amount of the loss incurred by the Exchange as

a result of such assumption of such excluded System Transaction(s). The Exchange may assert such claim against such member or member organization in any appropriate forum and, without limiting the generality of the foregoing, in connection with the transfer of any membership by such member, or by any member who is a general partner of or a holder of voting stock of such member organization, such claim shall be entitled to priority in payment as a sum due the Exchange under the provisions of Section 4 of Article XIII of the Constitution.

(4) A market or limited price order which is to be executed in whole or in part as soon as such order is represented in the Trading Crowd, and the portion not so executed is to be treated as cancelled. For the purposes of this definition, a "stop" is considered an execution.

A "commitment to trade" received on the Floor through ITS shall be treated in the same manner, and entitled to the same privileges, as would an immediate or cancel order that reaches the Floor at the same time except as otherwise provided in the Plan and except further that such a commitment may not be "stopped" and the commitment shall remain irrevocable for the time period chosen by the sender of the commitment.

(5) The Market Performance Committee shall have power to supervise and regulate active openings, and unusual situations that may arise in connection with the making of bids, offers or transactions on the Floor. The Market Performance Committee shall have power also to supervise and regulate the operation of ITS or any other Application of the System during active openings and unusual situations.

(6) The recognized quotations shall be public bids and offers in lots of one trading unit or multiples thereof. Bids and offers in other market centers which may be displayed on the Floor for the purposes of ITS or other purposes shall have no standing in the trading crowds on the Floor.

(7)(a) Whenever a specialist effects a principal purchase of a specialty stock, in another participating market center through ITS, at or above the price at which he holds orders to sell that stock, such orders which remain unexecuted on the Floor must be filled by the specialist buying the stock for his own account, at the same price at which he effected his principal transaction through ITS unless, effecting such a principal transaction on the Floor, at that price, would (a) be inconsistent with the maintenance of fair and orderly markets; or (b) result in the election of stop orders.

(b) Whenever a specialist effects a principal sale of a specialty stock, in another participating market center through ITS, at or below the price at which he holds orders to buy that stock, such orders which remain unexecuted on the Floor must be filled by the specialist by selling the stock for his own account, at the same price at which he effected his principal transaction through ITS subject to the same conditions as set forth in 7(a) above and provided further that effecting such a principal transaction on the Floor, at that price, would not be precluded by the short selling rules; or would not result in a sale to a stabilizing bid.

(c) Whenever a specialist effects a principal purchase (sale) of a specialty stock, in another participating market center through ITS, at or above (at or below) the price at which he holds orders to sell (buy) that stock, such orders which remain unexecuted on the Floor must be filled by the specialist by buying (selling) the stock for his own account, at the same price at which he effected his principal transaction through ITS subject to the same conditions as set forth in subparagraphs 7(a) and (b) above.

(8) A member acting as a specialist shall supply information relating to limit orders held by such member as provided for in the Plan for ITS. The Plan, as currently in effect, provides as follows:

With respect to limit orders held by any specialist or any Participant in any stock traded through ITS, the rules of each Participant shall provide that, so long as the off-board trading rules of such Participant as in effect on the date the Plan is filed with the SEC remain in effect, such specialist will on request and to the extent practicable supply the specialist(s) registered in such stock or any other Participant with information relating to such limit orders. The sharing of such information following any removal of the current off-board trading rules will be dependent upon implementation

of necessary equal regulation of all market makers in all markets coupled with adequate surveillance procedures.

(9)(a) When a specialist receives a pre-opening response from another specialist in another market center (the other specialist) pursuant to the Pre-Opening Application (as that term is defined in this chapter) and that response indicates that the other specialist has an interest in participating in the opening transaction as principal, such interest of the other specialist shall not have preference over public orders. The manner and extent to which the other specialist may participate as principal in the opening transaction shall be as set forth in the provisions of the Plan covering the Pre-Opening Application.

(b) The member who leaves such an order with the specialist should, as promptly as possible after the opening of the stock, return to the Post. The specialist must retain the order slip and must advise the member as to the broker and the name given up on the opposite side of the transaction. The member should proceed as promptly as possible to confirm the transaction with the broker on the opposite side.

(10) A member who executes on the Exchange, a block trade, in an ITS Security, at a clean-up price outside the "best" quotation for the security displayed by any ITS participating exchange, shall, upon executing the block trade on the Exchange, send to each participating exchange displaying a bid or offer (as the case may be) superior to the clean-up price, a commitment to trade, at the clean-up price, to satisfy the number of shares displayed in that market center's bid or offer.

For purposes of this policy, a block trade shall be a trade involving at least 10,000 shares, or a quantity of stock having a market value of at least \$200,000.

This policy shall supersede the provisions of Chapter XXXI Sec. 4(a)(1) and any other rule which might be construed as being inconsistent with this policy.

The term "displayed bid or offer" referred to above is the current quotation disseminated by an ITS exchange and does not refer to "away-from-the-market" limit orders.

(11)(a) The terms "trade through" and "third participating market center trade-through" do not include the situation where a member who initiated the purchase (sale) of an ITS security at a price which is higher(lower) than the price at which the security is being offered(bid) in another ITS participating market, contemporaneously sends through ITS to such ITS participating market a commitment to trade at such offer(bid) price or better and for at least the number of shares displayed with that market center's better-priced offer(bid); and

(b) a trade-through complaint sent in these circumstances is not valid, even if the commitment sent in satisfaction cancels or expires, and even if there is more stock behind the quote in the other market

Adopted.

September 11, 1978.

Amended.

September 11, 1978.

June 19, 1980.

April 20, 1981.

June 12, 1985.

June 27, 1990.

April 26, 2004.

Section (5) Trade Adjustments-

In accordance with Section (1)(a)(ii), the ICC will adjust trades (as to price, share size, buy or sell side, to cancel a trade or to insert a trade "as-of" a prior day) according to the procedures specified below. All requests for trade adjustments shall be in the form of administrative messages sent through the System. All such messages shall emanate only from an Exchange ITS supervisor ("supervisor"), who shall be appointed by the Market Performance Committee.

(i) For adjustments on trade day, if the Exchange is the executing market of a commitment to trade, the supervisor shall send an administrative message through the system to ICC requesting and authorizing the trade adjustment, and specifying the terms thereof. Such request shall not be made until the supervisor receives an administrative message from the issuing market supervisor agreeing to the terms of, and authorizing the request for, the adjustment. Conversely, if the Exchange is the issuing market of a commitment to trade, and the executing market supervisor is seeking a trade adjustment to which the Exchange supervisor consents, the Exchange supervisor shall send an administrative message through ITS to the terms of, and authorizing the request for, the adjustment.

(ii) For adjustments for prior trade day, both the executing and issuing market supervisors must send administrative messages directly to the ICC, both detailing the same terms of, and authorization for, the adjustment.

(iii) An administrative message from the ICC confirming any adjustments will be sent to both the issuing and executing markets following each adjustment.

Adopted.

September 11, 2000.

Chapter XXXII – Arbitration

BX Rules 10000 Series (Code of Arbitration Procedure) are the applicable procedures governing arbitrations.

Amended.

May 14, 2012.

Chapter XXXIII – Boston Exchange Automated Communication Order-routing Network (BEACON)

SEC. 1

General

(a) BEACON, a securities communication, order-routing, and execution system, is available to member organizations of the Exchange and to foreign exchanges with which a trading link has been established pursuant to Rule 19b-4 under the Securities Exchange Act of 1934.

(b) All Exchange rules, policies and practices will apply to BEACON except as specified by this rule.

(c) Issues eligible for BEACON will comprise all issues approved for trading on the Exchange.

(d) Only agency orders will be eligible for automatic execution in BEACON.

Adopted.

February 28, 1989.

SEC. 2

Order Entry

(a) Orders transmitted through BEACON may be executed by the system automatically or on a manual basis in accordance with the provisions of this rule.

(b) Orders may be transmitted to either a Floor Broker or a Specialist at the election of the member organization originating the order. Orders may also be transmitted to Specialists through BEACON by Floor Brokers.

(c) Member organizations participating in BEACON may send to the Exchange trading Floor their market and limit orders in size parameters established by Exchange rules as modified from time to time.

Adopted.

February 28, 1989.

SEC. 3

Execution Parameters

(a) Market and marketable limit orders transmitted to the Specialist prior to the opening in Intermarket Trading System (ITS) issues will be executed at the primary market opening price except where the consolidated opening price is elected by the entering firm. These provisions will also apply when the primary market re-opens a stock that has been the subject of a Regulatory Halt.

(b) Subject to the requirement of the Short Sale Rule, market and marketable limit orders entered after the opening will receive an execution price that is based upon the BEACON quotations as defined in Sec. 5(c).

(c) Market orders and marketable limit orders transmitted to the Specialist will be displayed for up to fifteen seconds to allow for the orders to receive more favorable execution prices. However, under unusual market conditions a modified exposure period may be employed upon the recommendation of an Exchange officer and the approval of two Floor Officials.

(d) Some examples when manual executions will occur are: when crosses are entered into the system; when filing limit orders; when prices appended by the system are erroneous and require correction; when orders are "stopped"; and when orders entered prior to the opening become executable at the primary market opening price.

Adopted.

February 28, 1989.

SEC. 4

Eligible Orders

(a) Conditions for Orders eligible for routing through the BEACON system are as follows:

All or none

Stop limit

Do not increase	Buy minus
Fill or kill	Day limit
Market	Do not reduce
Immediate or cancel	GTC limit
Sell long plus	Market on close
Sell short	Opening
Stop	With or without
Not held (Floor Brokers only)	

(b) Any other conditioned market or limit order approved by the Exchange.

Adopted.

February 28, 1989.

SEC. 5

Automatic Executions Parameters

Automatic execution size parameters will be set in BEACON according to specialist specifications, by issue. All market or marketable limit orders of a size equal to or less than the automatic execution parameters will be automatically executed in their entirety, at the price of the NBBO.

Orders that are larger than the size of the automatic execution parameters, will be automatically executed up to the size of the automatic execution parameter, at the price of the NBBO. The remainder of any order which is not automatically executed, i.e. that portion of the order which is greater than the size of the automatic execution parameter, will be guaranteed professional handling by the specialist according to the specialist's fiduciary duties of best execution.

Adopted.

February 28, 1989.

Amended.

May 12, 1997.

December 21, 2004.

SEC. 6

Routing Orders Not Subject to Automatic Executions

(a) BEACON may be used to transmit, to the appropriate Specialist or Floor broker, orders in issues not subject to automatic execution.

Adopted.

February 28, 1989.

SEC. 7

BEACON Liability

In accordance with Incorporated Constitution Provision, the Exchange shall not be liable for any loss sustained by a member or member organization resulting from the use of the BEACON System. Generally, a loss pertaining to an order that is entered through the BEACON System and which does not appear on the BEACON System's Member Firm Interface Safe-Store File will be absorbed by the entering member organization. A loss pertaining to an order that is entered through the BEACON System which was designated for a particular specialist's post and which does appear on the BEACON System's Member Firm Interface Safe-Store File will generally be absorbed by the specialist.

••• **Interpretation:** ...

.01 In the event that there are two or more specialists competing in a given stock, the specialist to whom an order is directed (if it appears on the BEACON System's Member Firm Interface Safe-Store File) will be responsible for that order.

.02 The Exchange's Boston Automated-Surveillance Monitoring ("BEAM") system for market surveillance and risk analysis is a networked client/server application designed to provide the Exchange's surveillance management and member firm's management with real-time capabilities to monitor specialist trading activity within the BEACON system. This rule and Article IX, Section 10 of the Exchange Constitution apply to any loss sustained as a result of a member or member organization's reliance on the BEACON data feed to BEAM.

Adopted.

April 11, 1992.

Amended.

May 18, 1994. February 3, 1998. May 14, 2012.

SEC. 8

Instant Liquidity Access

This section applies to the facilitation of orders through Instant Liquidity Access, a mechanism offered by the Exchange. All other provisions of the Constitution and Rules of the Exchange are applicable unless superseded by this section.

(a) Only straight limit orders without tick restrictions are eligible for entry as instant execution or Instant Liquidity Access ("ILA") orders. ILA orders to buy shall be priced at the price of the published BSE offer. ILA orders to sell shall be priced at the price of the BSE bid. An ILA order shall receive an immediate, instant execution against orders reflected in the Exchange's published quotation and shall be immediately reported as BSE transactions, unless:

(i) the BSE's published quotation is not firm;

(ii) the primary market's published quotation is spread away from the BSE quotation in an amount, as determined by the Market Performance Committee of the Exchange, which would warrant curtailing the availability of instant executions in a particular security (currently \$0.25). Such an amount can be altered by the Market Performance Committee, as market conditions warrant, from time to time;

(iii) with respect to a single-sided ILA order, a better price exists in another ITS participating market center;

(iv) with respect to a single-sided ILA order, the BSE's published bid or offer is 100 shares;

(v) trading in the subject security has been halted;

(vi) the primary market has executed a block size trade at a price inferior to the BSE bid or offer.

ILA orders that cannot be immediately executed shall be cancelled.

(b) Availability of ILA feature. ILA orders in a particular stock shall be eligible to receive an instant execution if entered after the Exchange has disseminated a published bid or offer in that stock until 4:00 p.m. or any other closing time of the exchange's floor market.

(c) Interaction with ITS orders. If an inbound ITS commitment has been processed and apportioned according to the rules set forth in Chapter XXXI, Intermarket Trading System, herein, based on orders in the BSE book, an ILA execution cannot take place against the same order.

(d) Partial executions. An ILA order which is for a size greater than that displayed on the BSE book will receive an instant execution up to the displayed size of the BSE quotation. Any excess will automatically be cancelled.

Amended.

January 14, 2004.

January 12, 2005.

Sec. 9.

BEACON Remote

BEACON terminals and related equipment will be provided to remote member firm locations for trading. The remote terminals will be linked to the BEACON Trading System and will provide the same functionality as is available to on-floor specialists and floor brokers. All orders directed to remote specialists and brokers, including ITS commitments and administrative messages, will be from the Woburn data center through BEACON as occurs with on-floor specialists and floor brokers. Floor broker orders will be routed to remote specialists under the same criteria by which they are routed to on-floor specialists. The following shall apply to specialists and brokers participating in the BEACON Remote program:

(a) All rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended under this section.

(b) Only member firms with existing Exchange specialist operations are eligible for participation during the preliminary stages of the BEACON Remote program.

(c) Any eligible firm may apply to the Market Performance Committee to participate in the program. All applicants must meet the current minimum requirements for specialists or brokers set forth in the Rules of the Exchange, including, but not limited to their background, experience, staffing, training procedures, adequacy of applicant's proposed confidentiality policy, adequacy of applicant's contingency plans for communication or technology failures, adequacy of applicant's offsite facilities, performance standards, and the minimum margin, capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange.

(d) Unless the Market Performance Committee specifically authorizes otherwise, participating member firms shall be prohibited from trading remotely any securities which are currently being traded on-floor by that individual member firm. In evaluating a member firm's petition for changing the location of where a particular security is traded, the Market Performance Committee shall consider the application in light of the requirements set forth in paragraph (c) above. Individual securities, however, may not be traded by one firm in more than one location under any circumstances.

(e) The number of specialty stocks traded remotely shall not exceed two hundred (200) per specialist account.

(f) All layoff orders must be included in BEACON drop copy.¹

(g) All rule references pertaining to the trading floor of the Exchange, including:

Chapter I-B, Section 2 ("Dealings on Floor - Hours");

Chapter I-B, Section 3 ("Dealings on Floor - Persons");

Chapter II, Section 2 ("Recording of Sales");

Chapter II, Section 6 ("Bids and Offers for Stocks");

Chapter II, Section 9 ("Trading for Joint Account");

Chapter II, Section 10 ("Discretionary Transactions");

Chapter II, Section 13 ("Trading Against Privileges");

Chapter II, Section 15 ("Record of Orders from Offices to Floor");

Chapter II, Section 23 ("Dealing on Other Exchanges, or Publicly Outside the Exchange");

Chapter II, Section 31 ("Offering Publicly on the Floor");

Chapter VIII, Section 2 ("Member Organization Account");

Chapter XV, Section 1 ("Registration");

Chapter XV, Section 2 ("Responsibilities");

Chapter XV, Section 3 ("Code of Acceptable Business Practices for Specialists");

Chapter XV, Section 5 ("Preference on Competitive Basis");

Chapter XV, Section 6 ("The Specialist's Book");

Chapter XV, Section 9 ("Opening Listed Stock");

Chapter XV, Section 10 ("Hours");

Chapter XV, Section 16 ("Status of Orders When Primary Market Closed");

Chapter XV, Section 18 ("Procedures for Competing Specialists");

Chapter XV ("Special Offerings");

Chapter XVIII, Section 1 ("Penalties");

Chapter XVIII, Section 4 ("Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies");

Chapter XX, Section 6 ("Gratuities");

Chapter XXII, Section 2 ("Capital and Equity Requirements");

Chapter XXXI, Section 2 ("Intermarket Trading System");

Chapter XXXI, Section 3 ("Pre-Opening Application");

Chapter XXXI, Section 4 ("Trade-Throughs and Locked Markets");

Clearing Corporation Rule 3, Section 2 ("Dual Member Broker/Dealer Accounts");

Clearing Corporation Rule 3, Section 3 ("Boston Representative Broker/Dealer Accounts");

Clearing Corporation Rule 3, Section 4 ("Specialist Member"); and Clearing Corporation Rule 4, Section 4 ("Bills Rendered")

shall be deemed to include any trading done remotely through BEACON, and all such trades shall be deemed to be Boston executions on the Exchange.

(h) A written confidentiality policy regarding the location of equipment and access to information, terminals and equipment must be adopted by the firm and filed with and approved by the Exchange prior to the commencement of remote trading. Moreover, this policy must conform to all of the requirements set forth in the Rules of the Exchange, including, but not limited to Chapter XV, Section 6 (The Specialist Book), Chapter II, Section 36 (Specialist Member Organizations Affiliated with an Approved Person), and Section 37 (ITSFEA Procedures). In accordance therewith, reasonable principles must be applied to limit access by non-specialists to Remote Specialist facilities and information, and to limit Remote Specialists and Brokers access to and from other proprietary trading venues, including access from outcry or visible communication, intentional or otherwise.

(i) Floor policies regarding dress code, and smoking, identification and visitors shall not apply. Access to the area designated as that of the Remote Specialist's or Remote Broker's shall be restricted to the specialist or broker, backup specialist, clerks, designated management of the specialist or broker, and Exchange authorized personnel, consistent with the Rules of the Exchange, including, but not limited to, "Chinese Wall" procedures set forth in Chapter II, Section 36, (Specialist Member Organizations Affiliated with an Approved Person), and procedures set forth in Chapter XV, Section 6 (The Specialist's Book).

(j) All Exchange correspondence, memoranda, bulletins and other publications shall be sent to BEACON Remote Specialists and Brokers via electronic mail through BEACON and via U.S. mail or overnight delivery.

(k) All BEACON Remote specialists and brokers will have stentofon, (or a similarly operational speakerphone), as well as dedicated telephone access, to the physical trading floor. Any regulatory requirements including trading halts, trading practices, policies, procedures or rules requiring floor official involvement will be coordinated by Exchange personnel with the remote specialist and brokers through the dedicated telephone line.

(l) Servicing of BEACON terminals and related equipment shall be by Exchange authorized and trained personnel only.

(m) The Exchange's examination program of non-DEA floor members would include the remote specialist and broker operations. Every firm must submit specific supervisory procedures relating to the Remote Specialist and/or Broker operations and appropriate identification of all individuals who will have access to the Remote Specialist and/or Broker operation, including all supervisory personnel.

(n) Any arbitration or disciplinary action arising out of trading activity pursuant to this section would be held at the physical offices of the Exchange located in Boston.

(o) Each remote BEACON terminal assigned and registered by the Exchange will require an ETP, and will be subject to the following:

(1) Each approved Specialist unit may be authorized to trade up to 200 issues.

(2) Each Specialist and/or Broker unit must have at least one registered Exchange seat assigned to the approved specialist or broker.

(a) A specialist may be authorized to obtain additional ETP's for qualified registered clerks to access BEACON in support of the Specialist unit.

(b) All specialists, brokers, and registered clerk ETP holders must be approved by the Market Performance Committee and must meet the following:

(i) file an ETP application form with the BSE Surveillance Department;

(ii) completion of the required floor training program

(iii) successful completion of the BSE floor examination within 90 days of application;

(iv) successful completion of the Series 63 (NASAA Uniform State Law Exam), and registration with the Commonwealth of Massachusetts, and;

(v) submission of fingerprint records to the BSE.

(3) Each Specialist unit identified by the member firm will be assigned an account ("give up") and will be evaluated under the Exchange's Specialist Performance Evaluation Program ("SPEP") which currently measures performance in several separate categories comprising a relative overall performance ranking.

Amended.

December 22, 2000, April 28, 2005

••• **Commentary:** ...

During the initial stages of this program (rollout), the Exchange will permit only current floor member firms to participate. The rationale for this is that current floor member firms have already been evaluated as to, among other things, their familiarity with the Rules of the Exchange, capital, equity and margin requirements, experience, staffing and training procedures, and performance standards. As soon as is practicable following the rollout of the program, the Market Performance Committee of the Exchange will consider other firm applicants based on a variety of criteria, as identified in Section 9(c), above, including, but not limited to, adequate off-site facilities to ensure compliance with the referenced portions of the Exchange's rules, and adequate capital to manage the risks associated with this program. For every applicant specialist or broker who is not an existing on-floor specialist or broker, a two week on-floor training period will be required, among the purposes of which will be to benefit the relationship between the Boston floor and the remote specialist or broker,

Adopted.

October 8, 2000.

¹ Drop copy is a BEACON system enhancement which permits the electronic loading of layoff system trade data for realtime specialist position updating, clearance, settlement and audit trail purposes.

Training: On-site floor training for at least two weeks would be waived for current floor specialists and

registered clerks who transfer to remote specialist operations. The two week on-site floor training period could also be waived in exceptional circumstances, if other arrangements are made with and approved by the Exchange. In such exceptional circumstances, a waiver will only be permitted if the Exchange is assured that the person requesting the waiver has made other arrangements that ensure that the person meets all of the requirements listed below. However, the two week on-site floor training period will not be waived for easily remedied reasons such as geographical location or inconvenience, and will include, among other things:(1) Questioned trade procedures(2) Communication procedures with Floor Brokers, Front Desk Operations, Surveillance, Systems Support, and ITS coordination with the Floor.(3) Competing Specialist Initiative ("CSI") and Unlisted Trading Privilege ("UTP") applications and procedures(4) Stock allocation procedures(5) Book or symbol change procedures(6) Trading Halt procedures(7) Floor official rulings(8) Authorizations required for billing, withdrawals, and payment of fines where applicable(9) Minor Rule Plan Violations policies and application(10) Books and records/reports available(11) Explanation of the SPEP categories and procedures(12) Certain other rules and policies deemed appropriate by the Exchange (e.g. Limit Order Display Rule, auto-executions, Price Improvement, etc.)

SEC. 10

Decimal Pricing Testing

[This rule will automatically expire upon full implementation of decimal pricing.]

- (a) Each member firm shall participate in testing of computer systems in order to prepare for the industry-wide conversion to decimal pricing.
- (b) As required by the Exchange, member firms shall participate in industry-wide testing, as well as preparedness testing for industry wide testing, of computer systems for decimal pricing conversion capability.
- (c) Any member firm which has an electronic interface with the Exchange shall conduct testing between the electronic interface and the Exchange ("point to point testing"). In the case of a member firm that has an electronic interface through a third party service provider, point to point testing will not be required if (i) the member firm conducts successful testing with the service provider, (ii) the service provider conducts successful tests with the Exchange (on behalf of the member firm) and (iii) such testing is documented to the satisfaction of the Exchange and the Exchange agrees that no further testing is necessary.
- (d) Each member firm participating in either industry-wide testing or point to point testing shall keep and file reports regarding the testing as deemed necessary by the Exchange.
- (e) Member firms shall maintain adequate documentation of all testing and shall maintain such records for review by the Exchange as necessary.

Adopted.

July 3, 2000.

Chapter XXXIV – Minor Rule Violations

Sec. 1

General

The following rule and policy violations may be determined by the Exchange to be minor in nature. (See also Grandfathered Boston Options Exchange Group LLC Rules, Chapter X). If so, the Exchange may, with respect to any such violation, proceed under Sec. 4 of Ch. XVIII and impose the fine set forth below. The Exchange is not required to proceed under said Section as to any rule violation and may, whenever

such action is deemed appropriate, such as in the case of intent or a pattern of offenses, commence a disciplinary proceeding under BX Rule 9000 Series as to any such violation. In lieu of formal disciplinary action, a member may opt for Acceptance Waiver and Consent Procedures pursuant to BX Rule 9216.

Amended.

February 4, 2005. October 2, 2006. May 14, 2012.

Sec. 2

Rule Violations

(a) Failure to Comply with an Appealed Floor Official Ruling that Stands (Ch. 1, Sec. 1):

Initial Offense - \$250; Subsequent Offenses - \$500.

(b) Failure to Maintain Proper Records (Ch. II, Sec. 15; Ch. XV, Sec. 8; Ch. XXII, Sec.1):

Failure to maintain required records for annual examinations, surveillance, and other purposes.

Initial offense - \$500; Subsequent Offenses - \$1,000

(c) Failure to Display Limit Orders (Ch. II, Sec. 40):

Failure to display a customer limit order immediately (no later than 30 seconds) after receipt (without a specific exemption pursuant to the rule).

Initial Offense - Written Warning

Second Offense - \$50

Third through Fifth Offense - \$100

Sixth through Tenth Offense - \$500

Over Ten Offenses - \$1000

(d) Failure to Display Quotes/Specialist Quote Maintenance (Ch. II, Sec. 7):

All non-quoted specialty stocks found at any time of review shall be considered one violation. The review and sanction process may be repeated during the day. Each specialist book shall be responsible for its own quote maintenance and summary fine application. Sanctions shall not be imposed if the primary market has not displayed a market at time of review, or other extenuating circumstances exist.

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(e) Failure to Promptly Respond to Exchange Blue Sheet Requests or File Regularly Scheduled Financial (FOCUS, SIPC) and/or Regulatory Reports (Specialist Performance Evaluation Questionnaire, Quarterly Option Report) (Ch. XVIII, Sec. 5; Ch. XXII, Sec. 1(d) and 2 (j); Ch. XV, 2156, Ch. II, Sec. 24): Failure to respond by the specified due date, failure to request an extension on or before the specified due date, or failure to respond by the specified date approved for an extension.

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(f) Floor Order Facilitation (Ch. II, Sec. 3; Ch. XV, Sec. 2; Ch. XV, Sec. 3; Ch. XVIII, Sec. 1):

Conduct which may cause delays or interruptions in the orderly facilitation and/or confirmation of orders received on the Floor such as failure to record proper post locations or dilatory practices in handling orders received on the Floor, as measured by the Exchange and in excess of three (3) instances over the preceding rolling thirty day period.

Initial Offense - Written Warning

Second through Fifth Offense - \$100

Sixth through Tenth Offense - \$250

Over Ten Offenses - \$500

(g) Improper Use of the ITS Administrative Message Function (Ch. XXXI, Sec. 1(a)(i) and the ITS Plan):

To be determined by Surveillance staff with the concurrence of a Floor Official.

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(h) Recording of Sales (Ch. II, Sec. 2):

Failure to time stamp orders or to promptly report executions to the Consolidated Tape Association:

Initial Offense - Written Warning; Second Offense - \$100; Subsequent Offenses - \$250.

(i) Representation on the Floor (Ch. XV, 2155.02):

All members and member organizations must designate an individual who will represent such member or member organization on the Floor during their absence. Specialist representatives should have access to the unit's records and books. All individuals representing members and member organizations must have the authority to make decisions in opening stocks, executing orders and/or resolving and closing out open or questioned items for the account of the absent member. Failure to adhere to these provisions will result in the following fines:

Initial Offense - Written Warning; Second Offense - \$100; Subsequent Offenses - \$250.

(j) Short Sale Rule Violations (Ch. II, Sec. 16):

First through Third Offense – \$250.00

Fourth through Sixth Offense - \$500.00

Seventh through Tenth Offense - \$1000.00

Over Ten Offenses in a rolling twelve (12) month period will result in Formal Disciplinary Action.

(k) Trading in an Inactive Alternate and/or Trading Account (Ch. XXII, Sec. 2(m)):

Patterns of trading indicating abuse of inactive accounts, as measured by the Exchange and in excess of three (3) instances over the preceding thirty day period. Initial Offense - \$500; Subsequent Offenses - \$2,500

(l) Unauthorized Disclosure of Give-ups (Ch. XV (g)): Initial Offense - \$1000; Subsequent Offenses - \$2500.

(m) Unauthorized Physical Contact with the Intent to Cause Harm or Intimidate Another on the Premises of the Exchange (Art. XIV, Sec. 5):

Initial Offense - \$500; Second Offense - \$1000; Subsequent Offenses - \$2500.

(n) Failure to Designate an order (PPS) (Ch. IIB, Sec. 3): Failure to designate an order "PPS" if it is eligible for execution during the Post Primary Session. Initial Offense - Written Warning Second Offense –

\$50 Third through Fifth Offense - \$100

Sixth through Tenth Offense - \$500

Over Ten Offenses - \$1000

(o) Dealings Outside of Exchange Operating Hours (Ch. I-B, Sec. 2): Initial offense - Written Warning
Second Offense - \$50

Third through Fifth Offense - \$100

Sixth through Tenth Offense - \$500

Over Ten Offenses - \$1000

Amended.

January 17, 2003. October 2, 2006.

(p) Execution of Valid ITS Commitments (Ch. XXXI, Sec. 2(b)) Failure to execute an ITS commitment that is due an execution. Initial Offense - Written Warning Second Offense - \$50 Third through Fifth Offense - \$100 Sixth through Tenth Offense - \$500 Over Ten Offenses - \$1000

Sec. 3

Policy Violations

(a) Damage or Abuse of Floor Facilities and Equipment:

Initial Offense - \$250; Subsequent Offenses - \$500

Liability also extends to the cost of repairing or replacing the facility or equipment as well as damages for losses clearing resulting from the unavailability of the equipment or facility during the repair or replacement.

(b) Failure to Adhere to Floor Security:

Propping open any of the security doors by any means.

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(c) Failure to Attend Market Performance Committee Mandated BEACON Training Sessions:

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(d) Failure to Comply with Post Rules:

Altering the appearance of any post without the prior written consent of the Floor Facilities Committee ("Committee"); refusal of a post location change by the Committee; use of an unassigned post for any purpose without the prior written consent of the Exchange; storage of materials in an unauthorized area of the Floor; placing or installing any personal equipment (computers, file cabinets, chairs, bulletin boards, tables, shelves, desks, etc.) without the prior written authorization of the Exchange.

Initial Offense - \$250; Subsequent Offenses - \$500 (These fines are in addition to any costs incurred by the Exchange for any damage to a post and/or the removal of materials and/or equipment).

(e) Failure to Comply with Telecommunications ("Comm") Room Rules:

Not obtaining a permit number from the Exchange prior to any installation or servicing of hardware or telecommunications equipment (i.e., voice and data); unauthorized vendor access to the Comm. Room or the Trading Floor without prior notification to the Exchange and accompaniment by an authorized Exchange staff member or floor member; unauthorized equipment removal from any Exchange location.

Initial Offense - \$250; Subsequent Offenses - \$500 (These fines are in addition to any costs incurred by the Exchange for any loss of, damage to and/or removal of equipment).

(f) Failure to Lockup Facility:

The Facility must remain locked in the absence of a Security guard after 10:00 p.m. and anytime on weekends or holidays. It is the responsibility of key holders to ensure that doors are locked upon leaving the Facility. Doors which are controlled by card readers must also be key locked.

Initial Offense - Written Warning; Second Offense - \$100; Subsequent Offenses - \$250.

(g) Failure to Register Floor Employees and Complete Appropriate Forms (Exchange Security Policy):

Includes all member firm floor employees, both full and part-time, temporary and summer staff.

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(h) Floor Conduct:

Unprofessional or disruptive behavior.

Initial Offense - \$100; Subsequent Offenses - \$500.

Extremely unprofessional or disruptive behavior, as determined by two floor officials.

All offenses - \$1,000

(i) Inappropriate Attire: Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(j) Possession of an Alcoholic Beverage During Trading Hours: Initial Offense - \$250; Subsequent Offenses - \$500.

(k) Possession of Firearms or Other Weapons:

Firearms or other weapons are not permitted on the Trading Floor or any other area of the Exchange, unless carried by licensed security staff, Boston Police or other government law enforcement officers.

Initial and Subsequent Offenses - \$5000.

(l) Trading Floor Appearance:

Inappropriate storage of garments or materials. Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(m) Violation of the Exchange Identification Requirement:

All Floor Members and their Staff are required to carry their access/identification cards at all times and in all areas of the Exchange. Cards must be displayed to Security Staff upon request.

Initial Offense - Written Warning; Second Offense - \$50; Subsequent Offenses - \$100.

(n) Violation of the Visitors Policy: Initial Offense - \$100; Subsequent Offenses - \$250.

(o) Violation of the Exchange Tobacco Use Policy

Smoking, use of tobacco or any expectorants is prohibited on the Equity Trading Floor. This prohibition shall apply at all times, whether the floor is in session or not.

Initial Offense - \$100; Subsequent Offenses - \$250.

Adopted.

October 18, 2000.

Amended.

January 17, 2003.

Sec. 4

Rescinded effective October 2, 2006.

Chapter XXXV – Trading in Nasdaq Securities Trading in Nasdaq Securities

All of the Rules, Policies, and Procedures, set forth in the Rules of the Board of Governors of the Boston Stock Exchange ("Boston Stock Exchange Rules"), and elsewhere, shall apply to the trading of Nasdaq securities in the same way as they do to the trading of non-Nasdaq securities, with the addition of the rules set forth in this Chapter XXXV, detailed below.

SEC. 1.

Definitions

(a) "Nasdaq security" --any security listed on the Nasdaq National Market or Nasdaq SmallCap Market.

(b) "Nasdaq System" --the NASD's Automated Quotation System.

(c) "Listed security" --a stock or bond, other than a Nasdaq security, that has been accepted for trading by the Boston Stock Exchange, or any of the other registered securities exchanges in the United States.

Adopted.

October 18, 2001.

Sec. 2.

Order Transmission

(a)(i) Each Exchange specialist shall provide direct telephone or other means of access to the specialist post to Nasdaq System market makers, acting in their capacity as market makers, for each Nasdaq security in which the market maker is registered as a market maker. Access shall include appropriate procedures which assure the timely response to telephonic or other communications. Nasdaq System market makers may use such telephone or other access to transmit orders for execution on the Exchange.

Any order received on the floor via telephone or otherwise from a Nasdaq System market maker shall be effected in accordance with the rules applicable to the making of bids, offers and transactions on the Floor (see Chapter II, Dealings on the Exchange, Chapter XV, Specialists). All limit orders shall be immediately displayed upon receipt, in accordance with Chapter II, Dealings on the Exchange, Section 40, Limit Order Display Rule.

(ii) Exchange specialists may send orders from the Floor for execution via telephone, or otherwise, to any Nasdaq System market maker in each Nasdaq security in which it is registered as specialist. All of the Boston Stock Exchange Rules related to the trading of securities shall be applicable to bids and offers transmitted by telephone, or otherwise, in the same way as they apply to orders transmitted via automated trading systems.

(iii) Comparisons of transactions effected with a Nasdaq System market maker via telephone access, or otherwise, will be made pursuant to procedures to be established between Nasdaq and the Exchange.

(b) Members may have access to enter orders to the specialist either electronically or telephonically. Any order received by the specialist telephonically, or verbally in any manner other than electronically must be memorialized in accordance with Chapter II, Dealings on the Exchange, Section 2, Recording of Sales, and Section 15, Record of Orders from Offices to Floor.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 3.

Trading

(a) Automatic Execution of Nasdaq orders. If the specialist is quoting at the National Best Bid or Offer ("NBBO") at the time a market or marketable limit order is received, the order shall automatically be filled at the NBBO up to the size of the specialist's bid or offer. The specialist's bid or offer will be decremented by the size of the execution. In the event that the specialist's bid or offer is exhausted, the system will generate a quote at an increment away from the NBBO as determined by the specialist from time to time, for 100 shares. If the specialist is not quoting at the NBBO at the time a market or marketable limit order is received, such order shall be automatically filled at the NBBO up to the size of the auto-execution threshold if the specialist has not, within 20 seconds after receipt of the order, complied with the manual execution requirement detailed below. The automatic- execution guarantee only applies to orders which are equal to or less than the size of the auto-execution parameter.

(b) In Nasdaq securities, the auto-execution parameter must be set at 300 shares or greater. For the purposes of this rule, odd-lot orders will be considered to be round lot orders for the purposes of rounding up to the size of the auto-execution guarantee parameter. An odd-lot order shall not increase the size of the execution guarantee to an amount greater than the auto-execution parameter. Rather an odd lot order would be added to any round lots less than the size of the auto-execution parameter and the execution guarantee would apply only to that number of shares, which would be less than or equal to, but in no case

greater than, the size of the auto-execution guarantee.

(c) In unusual trading situations, specialists may switch from automatic execution to manual execution mode. "Manual execution mode" shall include any instance in which a specialist reduces the auto execution threshold below the minimum set forth in paragraph (b) of this section 4. For the purposes of this rule, "unusual trading situations" for Nasdaq securities include the existence of large order imbalances or significant price volatility. If a specialist elects to switch to manual execution mode based on the existence of unusual trading situations, the specialist must 1) document the basis for election of a manual execution mode; and, 2) in the event that the specialist remains in manual execution mode for more than ten minutes, seek relief from the requirements of this section 4 from two floor officials.

All automatic execution parameters and practices shall be in accordance with NASD Rule IM2110-02, Trading Ahead of Customer Limit Orders, and NASD Rule IM-2110-3, Front Running Policy.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 4.

Manual Execution of Nasdaq Securities

Manual Execution of Nasdaq securities. With respect to agency market or marketable limit orders in Nasdaq securities which have a size equal to or less than the auto execution threshold but which are not auto-executed under the provisions of this Chapter, a specialist shall be obligated to either (i) manually execute such orders at the NBBO in existence when the order is received or better, or (ii) act as agent for such orders in seeking to obtain the best available price for such orders on a marketplace other than the Exchange.

Adopted.

October 18, 2001.

Amended

May 22, 2003

Sec. 5.

Preopenings/Trading Halts

Pre-opening orders in Nasdaq securities must be accepted and filled at the Exchange opening trade price. In trading halt situations, orders will be executed based on the Exchange reopening price.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 6.

Orders to Buy and Sell the Same Security

Pursuant to Chapter II, Section 18, Orders to Buy and Sell the Same Security, for cross transactions in Nasdaq securities, a specialist must refrain from interfering at the cross price with an agency cross which is to be effected at a price between the disseminated Exchange market, unless the specialist is willing to better one side of the cross.

When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are for 5,000 shares or more and are for accounts other than the accounts of the executing member, the member may cross such orders at a price which is at or within the prevailing bid or offer. The member's bid or offer shall be entitled to priority at such cross price, provided that the proposed cross transaction is of a size greater than the aggregate size of all of the interest communicated on the Exchange floor at that price. Another member may trade with either the bid or offer side of the presented cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 7.

Dealings on Floor --Hours

For the purposes of transacting business in Nasdaq securities only, the Exchange shall be open from 7:00 a.m. until 4:30 p.m. Only transactions in Nasdaq securities will be permitted outside the hours of 9:30 a.m. and 4:15 p.m., in accordance with Chapter I-B, Business Hours, Section 1, Primary Session, and Section 1(a) Post Primary Session.

Adopted.

October 18, 2001.

April 23, 2003

Amended.

May 1, 2006.

SEC. 8.

Order Acceptance Guarantee

An Order Acceptance Guarantee shall be available to each member firm in all Nasdaq securities traded on the Exchange. Specialists must accept all agency market and marketable limit orders in

Nasdaq securities up to and including 1000 shares in accordance with this rule. Specialists must accept all agency non-marketable limit orders in Nasdaq securities up to and including 10,000 shares for placement

in the limit order book.

An Exchange specialist in a Nasdaq security shall only be obligated to guarantee execution on the first agency market order placed with him by a Floor broker or other Floor member, at any given best bid or offer. Subsequent to any such execution, the specialist may, but shall not be obligated to, guarantee the execution at such price of other orders placed with him.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 9.

Specialist's Responsibilities

(a) Orderly Markets. In accordance with the responsibilities of specialists, as set forth in Chapter XV, Specialists, Sec. 2., Responsibilities, in relation to Nasdaq securities, an "orderly market" is defined as one with regularity and reliability of operation manifested by the presence of price continuity and depth exhibited by the avoidance of large and unreasonable price variations between consecutive sales on the Nasdaq system and the avoidance of overall price movements without appropriate accompanying volume.

A specialist in a Nasdaq security is responsible for insuring that each opening and reopening price in respect to Nasdaq securities reflects a professional assessment of market conditions at the time with due consideration being given to the balance of supply and demand as reflected by public orders. Additionally, the specialist should insure that the opening is not unduly hasty, particularly when at a price disparity from the previous close, and that the price reflects a thorough and professional assessment of market conditions at the time.

(b) Best Execution. Specialists dealing in Nasdaq securities shall use diligence to ascertain the best market for a particular security and provide the customer with a price which is as favorable as possible under the prevailing market conditions. Furthermore, no specialist shall interject a third party between himself and the best available market unless he can demonstrate that the total costs of the resultant transaction was better than the prevailing inter-dealer market for the security.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 10.

Registration of Specialists

Specialists who wish to trade Nasdaq securities must be registered and qualified by the Exchange. As such, they must first make application to and be approved by the Exchange. In addition, and in accordance with the requirements set forth in Chapter XV, Specialists; Chapter XX, Employees for the Solicitation of Business; Chapter XXV, Registration of Member-Corporations; and elsewhere, specialists who trade Nasdaq securities will be required to:

- (1) Be associated with an existing or newly created specialist unit approved by the Exchange, in accordance with all applicable rules, policies and procedures; and,
- (2) Successfully complete the Boston Stock Exchange Floor Exam, including the sections regarding Nasdaq trading; and,
- (3) Obtain a Series 63, NASAA Uniform State Law Exam, license; and,
- (4) If conducting business with the public, obtain a Series 7, General Securities Representative, license under the sponsorship of a NASD registered Broker-Dealer; and,
- (5) Complete a training period as deemed adequate by the Market Performance Committee; and,
- (6) Ensure that the specialist unit with which he is associated meets all of the Exchange's financial requirements, as set forth in Chapter VIII, Minimum Amount of Margin on Transactions Made During the Course of a Single Day in Accounts of Members, Allied-Members and Member-Organizations, Chapter IX, Unissued Securities --Margin Requirements, Chapter XXII, Financial Reports and Requirements --Aggregate Indebtedness --Net Capital, Chapter XXII-A, Blanket and Fidelity Bonds, and elsewhere.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 11.

Floor Clerks

A qualified clerk under the control and supervision of a specialist may assist the specialist, in accordance with Chapter I-B, Section 3, Dealings on Floor --Persons.

Adopted.

October 18, 2001.

Amended

May 22, 2003. November 29, 2004.

SEC. 12.

Odd-Lots and Odd-Lot Dealers

Notwithstanding any of the requirements regarding Odd-Lots and Odd-Lot dealers set forth in Chapter XII, Odd-lot Dealers in Securities the Primary Market for Which is on Another Exchange, Chapter XIII, Odd-Lot Dealers in Fully Listed Securities Having a Primary Market on this Exchange, Chapter II, Dealings on the Exchange, Chapter V, Units of Delivery --Payment for Deliveries --Transfers, a member or member organization registered as a specialist in a Nasdaq security shall automatically be registered as the Odd-Lot Dealer in such security.

Market orders will be accepted for execution as an odd-lot based on the best bid disseminated pursuant to SEC Rule 11Ac1-1 on a sell order, or the best offer disseminated pursuant to SEC Rule 11Ac1-1 on a buy

order in effect at the time the order is presented at the specialist post, provided the order is for a number of shares less than the full lot in said stock.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 13.

Synchronization of Business Clocks

In accordance with NASD Rule 6953, each specialist trading Nasdaq securities shall synchronize his business clocks with a time source as specified by Nasdaq.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 14.

Capital and Equity Requirements

Pursuant to Chapter XXII, Financial Reports and Requirements --Aggregate Indebtedness --Net Capital, Section 2, Capital and Equity Requirements, each member firm involved in the trading of Nasdaq securities shall maintain a liquidating equity for each specialist account of not less than \$200,000 in cash or securities. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each specialist account, without regard to the number of specialist accounts per firm.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 15.

Margin Procedures

The Boston Stock Exchange Clearing Corporation will provide margin financing for approved specialists dealing in Nasdaq securities, subject to the requirements and guidelines set forth in Chapter VIII, Minimum Amount of Margin on Transactions Made During the Course of a Single Day in Accounts of Members, Allied-Members, and Member-Organizations. For the purposes of this rule, transactions in Nasdaq securities will be considered to have been effected on the Boston Stock Exchange, and Nasdaq securities will be considered to be classified as stocks.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 16.

Limitations on Trading Nasdaq Securities

(a) Minimum Number of Nasdaq securities. The first specialist in a firm will be required to register in and trade at least 20 Nasdaq securities. A specialist associated with a member firm, and associated with another specialist registered in the minimum number of BSE traded stocks shall register and act as specialist in not less than 15 Nasdaq securities.

(b) Minimum Holding Period for Nasdaq securities. Any stock awarded or assigned to a specialist must be held by the specialist for at least 6 months (excluding unprotected allocations), and the specialist is required to actively trade and maintain a market in each security in which he is registered.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 17.

Application Procedure

Specialists are required to apply for registration in Nasdaq securities by utilizing either the UTP Form or the Add/Drop Form, depending on the status of the security being applied for. The allocation process will take place as specified elsewhere in this chapter.

Consistent with general Exchange stock allocation procedures, a specialist who first requests registration in an established Nasdaq security will generally be allocated that security, except where the performance of the specialist has been called into question. In that event, the Stock Allocation Committee may elect to competitively allocate that security.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 18.

New Listing or New UTP

A specialist may apply to trade a newly admitted Nasdaq security, pursuant to the Nasdaq UTP plan

(which permits trading of UTP admitted securities) as well as those newly dually listed. Such application will be subject to the allocation process.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 19.

Allocation of Nasdaq Securities

The following procedures regarding the initial allocation of Nasdaq securities are designed to ensure an equitable representation of member support of Nasdaq securities trading on the Boston Stock Exchange. They are structured so as to protect the firms who have established Nasdaq operations on the floor of the Exchange, while at the same time providing an opportunity for new interest and growth of this program in the foreseeable future from firms seeking to trade Nasdaq securities on the Exchange through meaningful stock allocations. Priority for admittance will be based on the date that the new firm becomes qualified to trade Nasdaq securities on the Exchange, as determined by Exchange staff. These procedures will remain in place for a two-year maturation period, following approval and commencement of trading. At the conclusion of this period, the Exchange will review the process and establish permanent Nasdaq security allocation procedures.

It should be understood that the registration rights to any Nasdaq securities awarded under this program through the allocation process may be transferred, rescinded or withdrawn by the Exchange. The initial two-year maturation period, by design, may entail the reallocation of an "unprotected" security. Further, any such specialist unit must continuously maintain fair and equitable markets in all issues assigned to it and may not for any reason transfer, sell or otherwise shift the benefit or responsibilities for trading securities awarded to it to another member firm. The Exchange will promptly initiate steps to reassign such trading privileges as deemed necessary if such circumstances arise. A minimum six-month holding period will be strictly enforced. The intent of this program is to establish competitive and liquid markets through solid support and a sustained commitment by its members.

Note: A firm may swap allocated stocks, with other existing and established BSE Nasdaq trading participants, in accordance with Section 25 of this Chapter XXXV. Further, in limited and exceptional circumstances, a member firm may petition the Executive Committee of the Exchange for permission to sell or otherwise transfer its Nasdaq trading privileges to another member firm prior to the end of the mandated six-month holding period. The responsibility to provide sufficient and justifiable reasons to seek such approval will be on the member firm registrant and must overcome the intent of this allocation process for a sustained commitment by such member. (Factors will include length of time trading, number of issues in each category and whether the proposed transferee is a new applicant.) The Executive Committee will evaluate any such request on its merits, and will ultimately base its decision on its determination of whether such a transfer is in the best interests of the Exchange.

The Executive Committee's decision in such a case shall be final.

Allocation Procedures

Any member firm currently trading listed securities on the Exchange may apply for Nasdaq trading privileges, but may not drop listed securities in order to seek allocation of Nasdaq securities. The Exchange's goal is to establish a new product, which will expand the number of stocks available for execution on the BSE, rather than to replace or substitute its current market for listed securities.

The following procedures pertaining to the allocation of Nasdaq securities apply on a member firm basis, regardless of the number of specialists trading Nasdaq securities within a particular firm. The minimum number of stocks per book pursuant to this Chapter XXXV, Sec 18, will be 20 for the first specialist in a member firm and 15 for subsequent specialists in that same member firm. The initial allocation of Nasdaq securities will be limited to those member firms approved by the Exchange as of commencement date, and will be limited to those firms for the first 30 days.

Following this initial allocation, other firms may apply for Nasdaq securities, provided that they have met all of the requirements and have been approved by the Exchange to trade Nasdaq securities, as set forth in this Chapter XXXV, and elsewhere. The procedures for the allocation of Nasdaq securities will be based in part on the trading volume in Nasdaq securities and are as follows:

Note: The determination of which securities fall within the categories below (i.e., the top 100, top 300, etc.) will be based on the ranking on Nasdaq securities by the National Association of Securities Dealers, and published on the appropriate Nasdaq website as of the end of the preceding calendar quarter.

After the initial 30-day period, commencing on a date the Exchange specifies as the official start date of the trading of Nasdaq securities on the floor of the Exchange ("start date"), other qualified firms may apply for allocation of Nasdaq securities from the pool of unallocated securities. After an ensuing 30-day period (i.e. 60 days from the start date), each firm who is actively trading Nasdaq securities at the time a new firm applies for allocation ("existing firm") of Nasdaq securities may protect ("freeze") securities registered to it within the rankings noted below and at the times as specified below. The remaining ("unprotected") securities that the firm is trading will be available for re-allocation to a new firm (including any new firms which commenced trading 30 days after the start date), although no new firm may take more than 30% from within each of the four rankings of any one existing firm's ("unprotected") securities available for allocation. Thus, existing firms will not have their entire inventory, above the securities it has frozen, subject to reallocation at any one time, by any one firm. Notwithstanding this 30% provision, a new firm may seek reallocation of at least one unprotected security from an existing firm, if 30% of the existing unprotected securities is less than one, and provided that the number of unprotected securities exceeds the freeze limits as set forth below.

An existing firm will be able to freeze securities each time a new firm applies for allocation during the first six months of Nasdaq trading, according to the following restrictions:

- Category 1 --10 securities of the top 100
- Category 2 --20 securities from those rated 101-300
- Category 3 --20 securities from those rated 301-500
- Category 4 --20 securities from those rated 501-and above

Note: After the initial allocation of securities to those firms which are initially participating in the trading of Nasdaq securities, the Exchange reserves the right to reallocate any number of securities above 25 per firm which the firm has been initially allocated from the top 100 ranked securities, if it determines that it is in the best interest of the Exchange and the overall Nasdaq program.

As an example, assume four firms initially apply for, and receive allocations as follows:

<i>Category</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Firm A.....	25	25	25	25
Firm B.....	20	25	20	20
Firm C.....	25	20	20	20
Firm D.....	25	50	100	0

If Firm E applies for allocations during this initial six month period, Firm A can freeze 10 of the securities it has been allocated from the top 100 and 20 from each of the three remaining categories. Thus 15 securities from category 1, and 5 securities from categories 2, 3, and 4 would be available to Firm E. However, due to the 30% restriction, only 5 securities (30% x 15 unprotected) from category 1 and 2 securities from categories 2, 3 and 4 could be reallocated from Firm A.

Firm B would be able to freeze 10 of the 20 securities which it had been allocated from the top 100, although only 3 of the unprotected securities could be reallocated to Firm E. Likewise, Firm B would be able to freeze 20 of the securities which it had been allocated from category 2, and could lose up to 30%, or 2 securities from category 2 to Firm E. Categories 3 and 4 would be protected.

Firm C would be able to freeze all of the securities it has been allocated in categories 2, 3 and 4 but could lose 5 of the 15 unprotected securities in category 1.

Firm D would be able to freeze 10 of the securities it has been allocated from the top 100 (category 1). 30% of 30, or 9 securities, would be available from category 2, and 24 securities from category 3 would be available.

Note: Firm E, and any subsequent new firms applying for allocation, can not exceed the same restriction levels as set forth above (i.e., 10 of the top 100 or 20 from categories 2, 3 or 4) in total from the composite of issues drafted from the allocated but unprotected portions of existing Nasdaq books. It could however, request additional allocation from the remaining "unallocated" issues in any category. The intent here is to maintain an equitable distribution of protected stocks among the participants during this initial period of reallocations to new firms.

Now, assume Firm G is approved and applies for allocation one month after Firm E. Firms A through E would all be subject to reallocation under the same guidelines as above. Firms A-E would not be exempt from any future allocations, but would be able to freeze the prescribed amount of securities each time a new firm applies for allocation. Firm G, likewise, is subject to future allocations under the same guidelines.

Note: In the event an existing firm seeks additional allocations at any point during the two-year maturation period, notice will automatically be given to all other existing firms of the allocation request, allowing the other existing firms the opportunity to compete for allocation in the requested securities, within a prescribed time frame. The intent of this provision is to ensure fairness to all firms during the maturation and evaluation stages of the Nasdaq stock allocation process. Additionally, no existing firm will be permitted to seek reallocation of unprotected securities from any other existing firm(s).

After the first six months from commencement of trading, and at each six-month anniversary interval through the remainder of the two-year maturation period, firms will be able to freeze an additional number of securities, as established by the Exchange, within each category. As the example below indicates these additional protective limits will depend upon the remaining number of unprotected securities available in each category.

Category 1 --3 additional securities within the top 100

Category 2 --6 additional securities from those rated 101-300

Category 3 --6 additional securities from those rated 301-500

Category 4 --6 additional securities from those rated 501 and above

In certain, limited circumstances, an existing specialist may object to the re-allocation of a particular unprotected security or securities. In such a case, both the existing firm and the new firm will be asked to present to the Market Performance Committee ("MPC") their reasons for objecting to or supporting the allocation request. Existing firms will not be permitted to make blanket objections to having their

unprotected securities reallocated, and they will be required to set forth tangible rationale justifying their objections. Likewise, new firms must justify their allocation requests. The firms will be allowed to present any documentation, testimonials or other relevant evidence supporting their position which they feel would benefit the MPC in their determination of whether the security in question should be allocated as requested, including, but not limited to, reasons based on market quality, payment for order flow, customer relationships, or other factors considered to be in the best interests of the Exchange's markets. The MPC will, based on the presentations and evidence, ultimately decide whether or not a particular security should be allocated to the new firm. The decision of the MPC can be appealed to the Board of Governors of the Exchange, whose decision shall be final. During the allocation request period, and any subsequent periods of committee deliberations and/or appeals, the security in question shall remain in the control of, and actively traded by, the existing firm.

The Exchange may limit the frequency and dates for allocation to additional participants in order to evaluate the impact of reallocations during this two-year maturation period. Although more than one new firm may be approved to begin trading Nasdaq securities on the floor of the Exchange at the same time, the first firm to be approved, chronologically, will be the first allowed to seek reallocation of securities from existing firms. Any such reallocation which may take place will result in new compositions of existing firm's books. Subsequently approved new firms may seek reallocations from the newly composed books of the existing firms. In this way, existing firms are further protected from the possible burden of contemporaneous reallocations. The Exchange will monitor the effectiveness of the program in order to ensure that no disruption of markets will result from frequent reallocations among member firm specialists, and reserves the right to alter this stock allocation process at any time.

Finally, in the event that the number of protected securities (i.e., 10 firms with 10 each in the top 100) matches the limit within a particular category prior to the two year maturation period, the Exchange may re-evaluate those remaining securities unprotected to provide some form of meaningful competitive allocation process to ensure continued growth of this program. Following the two-year period the Exchange will examine its overall program to ensure competitive quality markets are maintained. All allocations regardless of the class or category of registration are subject to review by the Exchange pursuant to its Specialist Performance Evaluation Program ("SPEP").

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 20.

Criteria for Stock Allocation Committee to Consider During Nasdaq Security Allocation

In considering the allocation of Nasdaq securities, the Stock Allocation Committee shall consider the following factors, among others, giving proper weight to each of these measures as it sees fit, while maintaining consistency with previous decisions:

z Specialist Performance (SPEP) Specialist experience generally Specialist experience trading Nasdaq securities Specialist contributions to the market quality of the Boston Stock Exchange Specialist's reputation as to quality of executions Length of time elapsed since last allocation to specialist "Quality" of Nasdaq securities in specialist's book, in terms of volume, liquidity and volatility Specialist's reasons for seeking to trade the security, as set forth in his application and/or

supplemental materials

Documented marketing concerns of specialist firm, e.g. order flow arrangements which are contingent on the retention of certain securities Market Quality criteria as set forth under the requirements of SEC Rules 11Ac1-5 and 11Ac1-6.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 21.

Change in Listing Status of Nasdaq Security

(a) If a company which has its security solely registered as a Nasdaq security transfers to become an exchange listed security, or in the event of a merger of a Nasdaq security company with a listed security company whereby the listed company is the "survivor" of the merger, the firm whose specialist was registered in the Nasdaq security shall be given preference to register to trade the listed security (subject to acceptable SPEP performance), provided that:

(1) the firm is eligible to trade, and currently registered in at least the minimum number of, as well as involved in the trading of, listed securities on the Exchange;

(2) no other member firm is currently registered in and trading the listed security of the surviving company. If another member firm is currently registered in the surviving company's listed security, that member firm will be allowed to continue to trade the security, whether registered as a primary or a competing specialist. The firm who originally traded the Nasdaq security of the company which was not a survivor of a merger, or which transferred its status and became an exchange listed security, will be eligible to apply as a competing specialist in that security, provided that all of the other requirements related to the trading of listed securities on the floor of the Exchange are met.

(b) In the event that a company changes its status from an exchange listed security to become registered as a Nasdaq security, allocation preference will be provided to the firm which traded the listed security prior to its status change, provided that the firm is eligible to trade, and engaged in the trading of, Nasdaq securities. If the firm is not eligible to trade the newly registered Nasdaq security, the security's allocation will be subject to standard allocation procedures as outlined in this section, including, if necessary, deliberation and determination of allocation by the Stock Allocation Committee.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 22.

Merger of Two Nasdaq Securities

In the event of a merger of two companies whose securities are both registered as Nasdaq securities, with the resultant company's security remaining registered as a Nasdaq security, the surviving company's security shall be subject to Exchange allocation procedures governing such actions. As such, if two

separate member firms are registered in the separate Nasdaq securities prior to the merger, the allocation of the resultant security shall be subject to the following:

(1) If the surviving company remains in control of the newly formed or merged company, as determined by Exchange staff, the member firm, which was originally registered in the security of the surviving company, shall retain that security.

(2) If Exchange staff cannot determine the control of the surviving company, the Stock Allocation Committee, taking all relevant factors into consideration, shall determine the allocation of the security of the surviving company.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 23.

Swapping Stocks

Specialists shall be permitted to swap stocks on an "as requested" basis, subject to the following:

(1) Specialists who are interested in swapping stocks with another specialist are responsible for initiating and engaging in negotiations to arrange for the swap.

(2) Swapping of stocks must take place between two separate specialist firms.

(3) Specialist may swap up to three stocks every six months, and must retain any swapped stocks for at least six months.

(4) Swapping for the intention of circumventing assignment, reassignment or any other procedures regarding Nasdaq securities is strictly forbidden.

(5) All swap arrangements must be submitted to the MPC for review, on the Stock Swap Agreement form.

(6) Repetitive stock swaps between two or more firms, or otherwise, for stock retention or any other purpose, are forbidden.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 24.

Specialist Request to Deregister in a Nasdaq Security

Generally, a specialist will be permitted to drop an allocated Nasdaq security, provided that a period of at least six months has elapsed since the original assignment.

If a specialist is approved for deregistration in a Nasdaq security, the effective date of the deregistration will be no earlier than 5 days after notice is provided to all order sending firms and other floor specialists registered to trade Nasdaq securities that the specialist is deregistering in such security.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 25.

Disciplinary Action

As detailed in Chapter XV, Dealer Specialists, Section 17, Specialist Performance Evaluation Program, one possible sanction in the Exchange's disciplinary system regarding poor performance of specialists is the temporary or permanent cancellation of a specialist's registration in one or more securities. Should this occur, the MPC will temporarily assign the security affected to another specialist. If the disciplinary action is, or becomes, permanent, the security will be available for assignment under the current stock allocation procedures.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 26.

Reserved.

Rescinded effective September 7, 2006.

SEC. 27.

Non-liability of Exchange

In accordance with Article IX, Section 10 of the Exchange Constitution, the Exchange shall not be liable for any loss sustained by a member or member organization resulting from the use of, or reliance on, the system through which the Exchange provides its members access to trade Nasdaq securities. Generally, a loss pertaining to an order that is entered through the BSE Nasdaq trading system that does not appear on a saved file will be absorbed by the entering member organization. A loss pertaining to an order that is entered through the BSE Nasdaq trading system which was designated for a particular specialist's post and which does appear on a saved file within the system will generally be absorbed by the specialist.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 28.

Clearly Erroneous Transactions

For the purposes of this section, the terms of a transaction are clearly erroneous when there is an obvious error in any term, such as price, number of shares (or other unit of trading), or identification of the security.

Officers of the Nasdaq Stock Market ("Nasdaq") shall have the authority to review any transaction arising from the use of a Nasdaq system, including, but not limited to, SuperSoes, SelectNet, or SuperMontage. Exchange specialists authorized to trade Nasdaq securities are obligated to cooperate with officers of Nasdaq in their review of clearly erroneous transactions, and to abide by the procedures set forth in Nasdaq Rule 11890 (b) and (c).

Adopted.

June 26, 2002.

Amended

May 22, 2003

SEC. 29.

Competing Specialist Initiative

Any specialist can apply to the Exchange to function as a competing specialist pursuant to these procedures:

1. Applications to compete must be directed to the Market Performance Committee in writing and must list in order of preference the stock(s) in which the applicant intends to compete. The Market Performance Committee will use the following guidelines in reviewing an application:

- overall performance evaluation results of the applicant
- financial capability
- adequacy of manpower on the floor
- objection by the regular specialist in a stock, with or without cause

2. Objections to Competition

a. Any objection¹ by the regular specialist to permit competition in one or more of such specialist's stocks² must be in writing on a form designated by the Exchange and filed with the Exchange within 24 hours³ of notice³ of the competing specialist's application.

b. A Market Performance Committee meeting will be scheduled to review the reasons for objection, and to determine whether an entering competitor could jeopardize the fair and orderly market maintained by the regular specialist in relation to the stock at issue. The regular specialist will be permitted to appear before the Committee to give the Committee the opportunity to question the regular specialist in regard to the reasons for objection. The applicant (competitor) will also be permitted to appear before the Committee to respond to any issues raised. After the Market Performance Committee renders its decision⁴, either party⁴ may appeal to the Executive Committee and then, if necessary, to the Board of Governors.

c. Pending Market Performance Committee review of any objection, competition in the security may be permitted upon the affirmative determination of a majority of the floor members of the Market Performance Committee, based on the standard set forth in Paragraph

b. of this Section 30. Pending the outcome of any appeal process, competition in the security at issue will be permitted. The results of such competition may be used by either the regular specialist in support of their objection, or considered by the Market Performance Committee, Executive Committee, or Board of Governors, in their respective determinations.

3. All applicants must be registered with the Exchange as specialists and must meet the current minimum requirements for specialists set forth in Chapter XV, the minimum capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange. A competing specialist will be subject to all of the rules and policies applicable to a regular specialist.

4. All applicant organizations, existing or newly created, must satisfy the Market Performance Committee that they have sufficient manpower to enable them to fulfill the functions of a specialist as set forth in Chapter XV in all of the stocks in which the applicant will be registered either as a regular or a competing specialist.

5. The regular specialist will receive all order flow not specifically directed to a competitor.

6. The specialist/competing specialist is responsible for all orders directed to him/her.

7. In any competitive situation, if either the regular specialist to whom a stock was originally assigned or the specialist organization which subsequently received approval to compete with the regular specialist desires to terminate the competition by requesting that it be relieved of the stock that is the subject of the competition, it should so notify the Market Performance Committee at least three business days prior to the desired effective date of such withdrawal. When the regular specialist requests to be relieved of a stock, the stock shall be posted for reallocation by the Stock Allocation Committee. In the interim, if the Market Performance Committee is satisfied that the competing specialist can continue to maintain a fair and orderly market in such stock, the competing specialist shall serve as the regular specialist until the stock has been reallocated. Where there is more than one competing specialist in the stock, Exchange staff shall place the stock with a caretaker until reallocation.

8. Any competing specialist who withdraws his/her registration in a stock will be barred from applying to compete in that same stock for a period of ninety (90) days following the effective date of withdrawal.

9. Notwithstanding the existence of competing specialist situations, there is only one Exchange market in a security subject to competition. Due to the ease of communications on the Floor via the Stentofon System, it will not be necessary to locate competing specialists adjacent to each other. However, all specialists must be responsible for their portion of the published bid and/or offer, and the Exchange's Nasdaq trading system will update quotations accordingly. Also, competitors must cooperate with the regular specialist regarding openings and reopenings to ensure that they are unitary.

10. Because there is only one Exchange market in a security subject to competition, all limit orders sent to the Exchange will be maintained by the Exchange's Nasdaq trading system's central limit book and will be executed strictly according to time priority as to receipt of the order in the system, irrespective of firm order routing procedures. This rule shall not be applicable where the quotation on the book is for the account of a specialist/competing specialist and another specialist/competing specialist has received an order directed to him. In such event, the specialist/competing specialist can elect to execute the order for his own account at the same price as the other specialist/competing specialist's order, or a better price, or to permit the order to be executed against the specialist/competing specialist's quotation.

11. Competing specialists must keep each other informed and communicate to inquiring Floor brokers the full size of any executable "all or none" orders in their possession since all-or-none orders cannot be represented in the published quote. The competing specialists are expected to represent such orders on a "best efforts" basis to ensure the execution of the entire order at a single price or prices, or not at all.

12. The registration of any competing specialist may be suspended or terminated by the Market Performance Committee upon a determination of any substantial or continued failure by such competing specialist to engage in dealings in accordance with the Constitution and Rules of the Exchange.

¹ Only the regular specialist can object to competition in his/her stocks.

² Unless the regular specialist is unavailable, in which case within 24 hours of becoming available.

³ Once an application is received by the Exchange, notification will be issued to the regular specialist(s) in whose stocks competition is being sought.

⁴ All appeals must be submitted within ten (10) business days of the final decision of either the Market Performance Committee or the Executive Committee.

⁵ Once the stock has been reallocated to a regular specialist, that specialist shall not be permitted to object to competition in such stock.

Adopted.

August 9, 2004.

Remote Trading in Nasdaq Securities

Section 30. Nasdaq trading terminals and related equipment will be provided by the Exchange to remote member firm locations for specialist trading. The remote terminals will be linked to the Exchange's Nasdaq trading system and will provide the same functionality as is available to on-floor specialists. The following shall apply to specialists participating in Nasdaq Remote trading:

(a) All rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended under this section.

(b) Any eligible firm may apply to the Market Performance Committee to participate in remote trading. All applicants must meet the current minimum requirements for Nasdaq specialists set forth in Chapters XV (Specialists) and XXXV (Trading in Nasdaq Securities) including, but not limited to their background, experience, staffing, training procedures, adequacy of applicant's proposed confidentiality policy, adequacy of applicant's contingency plans for communication or technology failures, adequacy of applicant's offsite facilities, performance standards and the minimum margin, capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange.

(c) Unless the Market Performance Committee specifically authorizes otherwise, participating member firms shall be prohibited from trading remotely any Nasdaq securities which are currently being traded on-floor by that individual member firm. In evaluating a member firm's petition for changing the location of where a particular security is traded, the Market Performance Committee shall consider the application in light of the requirements set forth in paragraph (b) above. Individual securities, however, may not be traded by one specialist firm in more than one location under any circumstances.

(d) All rule references pertaining to the trading floor of the Exchange, including:

Chapter I-B, Section 2 ("Dealings on Floor - Hours");

Chapter I-B, Section 3 ("Dealings on Floor - Persons");

Chapter II, Section 2 ("Recording of Sales");

Chapter II, Section 6 ("Bids and Offers for Stocks");

Chapter II, Section 9 ("Trading for Joint Account");

Chapter II, Section 10 ("Discretionary Transactions");

Chapter II, Section 13 ("Trading Against Privileges");

Chapter II, Section 15 ("Record of Orders from Offices to Floor");

Chapter II, Section 23 ("Dealing on Other Exchanges, or Publicly Outside the Exchange");

Chapter II, Section 31 ("Offering Publicly on the Floor");

Chapter VIII, Section 2 ("Member Organization Account");

Chapter XV, Section 1 ("Registration");

Chapter XV, Section 2 ("Responsibilities");

Chapter XV, Section 3 ("Code of Acceptable Business Practices for Specialists");

Chapter XV, Section 5 ("Preference on Competitive Basis");

Chapter XV, Section 6 ("The Specialist's Book");

Chapter XV, Section 9 ("Opening Listed Stock");

Chapter XV, Section 10 ("Hours");

Chapter XV, Section 16 ("Status of Orders When Primary Market Closed");

Chapter XV, Section 18 ("Procedures for Competing Specialists");

Chapter XV ("Special Offerings");

Chapter XVIII, Section 1 ("Penalties");

Chapter XVIII, Section 4 ("Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies");

Chapter XX, Section 6 ("Gratuities");

Chapter XXII, Section 2 ("Capital and Equity Requirements");

Chapter XXXI, Section 2 ("Intermarket Trading System");

Chapter XXXI, Section 3 ("Pre-Opening Application");

Chapter XXXIV ("Minor Rule Violations"); and

Chapter XXXV ("Trading in Nasdaq Securities")

shall be deemed to include any trading done remotely through the Exchange's Nasdaq trading system, and all such trades shall be deemed to be Boston executions on the Exchange.

(e) A written confidentiality policy regarding the location and access to information, terminals and equipment must be adopted by the firm and filed with and approved by the Exchange prior to the commencement of remote trading. Moreover, this policy must conform to all of the requirements set forth in the Rules of the Exchange, including, but not limited to Chapter XV, Section 6 (The Specialist Book), Chapter II, Section 36 (Specialist Member Organizations Affiliated with an Approved Person), and Section 37 (ITSFEA Procedures). In accordance therewith, reasonable principles must be applied to limit access by non-specialists to Remote Specialist facilities and information, and to limit Remote Specialists access to and from other proprietary trading venues, including access from outcry or visible communication, intentional or otherwise.

(f) Floor policies regarding dress code, and smoking shall not apply. Access to the area designated as that of the Remote Specialist's shall be restricted to the specialist, backup specialist, clerks and designated management of the specialist (operation), and Exchange authorized personnel, consistent with the Rules of the Exchange, including, but not limited to, "Chinese Wall" procedures set forth in Chapter II, Section 36 (Specialist Member Organizations Affiliated with an Approved Person), and procedures set forth in Chapter XV, Section 6 (The Specialist's Book).

(g) All Exchange correspondence, memoranda, bulletins and other publications shall be sent to the Exchange's Nasdaq Remote Specialists via electronic means and via U.S. mail or overnight delivery.

(h) All Exchange Nasdaq Remote Specialists will have stentofon (or a similarly operational speakerphone), as well as dedicated telephone access, to the physical trading floor. Any regulatory requirements including trading halts, trading practices, policies, procedures or rules requiring floor official involvement will be coordinated by Exchange personnel with the remote specialist through the dedicated telephone line.

(i) Servicing of the Exchange's Nasdaq trading system terminals and related equipment shall be by Exchange authorized and trained personnel only.

(j) The Exchange's examination program of non-DEA floor members would include the remote specialist operations. Every firm must submit specific supervisory procedures relating to the Remote Specialist operations and appropriate identification of all individuals who will have access to the Remote Specialist operation, including all supervisory personnel.

(k) Any arbitration or disciplinary action arising out of trading activity pursuant to this section would be held at the physical offices of the Exchange located in Boston.

(l) Each remote Nasdaq terminal assigned and registered by the Exchange will require an ETP, and will be subject to the following:

(1) Each Specialist unit must have at least one registered Exchange seat assigned to the approved specialist.

(a) A specialist may be authorized to obtain additional ETP's for qualified registered clerks to access the BSE's Nasdaq Trading System in support of the Specialist unit.

(b) All specialists and registered clerk ETP holders must be approved by the Market

Performance Committee and must meet the following:

- (i) file an ETP application form with the BSE Surveillance Department;
- (ii) completion of the required floor training program; *
- (iii) successful completion of the BSE floor examination within 90 days of application;
- (iv) successful completion of the Series 63 (NASAA Uniform State Law Exam), and registration with the Commonwealth of Massachusetts, and;
- (v) submission of fingerprint records to the BSE.

(2) Each Specialist unit identified by the member firm will be assigned an account ("give up") and will be evaluated under the Exchange's Specialist Performance Evaluation Program ("SPEP") which currently measures performance in several separate categories comprising a relative overall performance ranking.

Commentary: ...

The Market Performance Committee of the Exchange will consider firm applicants based on a variety of criteria, as identified in Section 31(b), above, including, but not limited to, adequate off-site facilities to ensure compliance with the referenced portions of the Exchange's rules, and adequate capital to manage the risks associated with this program. For every applicant specialist who is not an existing on-floor specialist, a two week on-floor training period will be required, among the purposes of which will be to benefit the relationship between the Boston floor and the remote specialist.

* Training: On-site floor training for at least two weeks would be waived for current floor specialists and registered clerks who transfer to remote specialist operations. The two-week on-site floor-training period could also be waived in exceptional circumstances, if other arrangements are made with and approved by the Exchange. In such exceptional circumstances, a waiver will only be permitted if the Exchange is assured that the person requesting the waiver has made other arrangements that ensure that the person meets all of the requirements listed below. However, the two week on-site floor training period will not be waived for easily remedied reasons such as geographical location or inconvenience, and will include, among other things:

- (1) Questioned trade procedures;
- (2) Communication procedures with Floor Members, Front Desk Operations, Surveillance, and Systems Support;
- (3) Competing Specialist Initiative ("CSI") and Unlisted Trading Privilege ("UTP") applications and procedures;
- (4) Stock allocation procedures;
- (5) Book or symbol change procedures;
- (6) Trading Halt procedures;
- (7) Floor official rulings;
- (8) Authorizations required for billing, withdrawals, and payment of fines where applicable;
- (9) Minor Rule Plan Violations policies and application;
- (10) Books and records/reports available;
- (11) Explanation of the SPEP categories and similar measurements and procedures;
- (12) Certain other rules and policies deemed appropriate by the Exchange (e.g. Limit Order Display Rule, auto-executions, Price Improvement, etc.).

Adopted.

August 9, 2004.

Chapter XXXVI – Reserved.

Amended.

May 14, 2012.

Chapter XXXVII – Boston Equities Exchange (“BeX”) Trading System

The Boston Equities Exchange (“BeX”) trading system is a fully-automated facility of the Exchange, which allows eligible orders in eligible securities to electronically match and execute against one another.

Section 1. BeX Eligible Securities

(a) *Eligible Securities.* All securities eligible for trading on the Exchange shall be eligible for trading through BeX. Any specialist’s request to remove a security from BeX shall be considered by the appropriate Board Committee.

Amended.

September 29, 2006.

Section 2. Eligible Orders

(a) All orders sent to BeX must be round lot, odd-lot or mixed-lot market or limit orders, specifically designated in the manner specified by the Exchange for trading in BeX. For stocks, 100 shares shall constitute a “round lot,” any amount less than 100 shares shall constitute an “odd-lot,” and any amount greater than 100 shares that is not a multiple of a round lot shall constitute a “mixed-lot.”

(b) All orders sent to BeX must be for regular way settlement.

(c) Eligible order types:

(i) Orders eligible for execution in BeX may be designated as one of the following existing BSE order types as defined in Chapter I, Section 3 except that any reference in the existing BSE Rules to the execution of Orders as soon as “represented at the specialist’s post” shall for purposes of this Section be understood to mean “entered in BeX”:

- (A) At the Opening or At the Opening Only Order
- (B) Day Order
- (C) Do Not Increase (DNI)
- (D) Do Not Reduce (DNR)
- (E) Fill or Kill
- (F) Good ‘Till Cancel Order
- (G) Immediate or Cancel
- (H) Limit, Limited Order or Limited Price Order

- (I) At the Close
- (J) Market Order
- (K) Stop Limit Order
- (L) Stop Order

With the exception of Fill or Kill and Immediate or Cancel Orders, a Member may append to an order an instruction that the order be routed to the market(s) displaying the National Best Bid or Offer if the order would trade through the National Best Bid or Offer if executed on the BeX. Absent such an instruction the order will be cancelled.

(ii) Orders eligible for execution in BeX may also be designated as one of the following additional order types:

(A) "Cross": An order to buy and sell the same security at a specific price better than the best bid and offer displayed in BeX and equal to or better than the National Best Bid and Offer. A Cross Order may represent interest of one or more BSE Members.

(B) "Cross with Size": A Cross Order to buy and sell at least 5,000 shares of the same security with a market value of at least \$100,000.00 (i) at a price equal to or better than the best bid or offer displayed in BeX and the National Best Bid or Offer (ii) where the size of the order is larger than the largest order displayed in BeX at that price.

(C) "Good 'Till Date (GTD)": An order to buy or sell that, if not executed, expires at the end of date specified in the order.

(D) "Good 'Till Time (GTT)": An order to buy or sell that, if not executed, expires at the time specified in the order.

(E) "Limit or Close ": A limit order to buy or sell that if not executed prior to the Market on Close cutoff time of 3:40 p.m., pursuant to Chapter II, Section 22, will automatically convert to an At the Close Order for inclusion in the closing process and if not so executed at the close, will be cancelled.

(F) "Mid-Point Cross ": A two-sided order with both a buy and sell component combined that executes at the midpoint of the National Best Bid or Offer. A Mid-point Cross Order will be rejected when a locked or crossed market exists in that security at the time the Order is received. Midpoint Cross Orders may be executed and reported in increments as small as one-half of the Minimum Price Variation.

(G) "Post Primary Cross": A single-priced cross order entered during the Post Primary Trading Session.

(H) "Reserve": A Limit Order with a portion of the size displayed and with a reserve portion of the size that is not displayed. A Reserve Order cannot be an IOC Order or Market Order.

(I)"Minimum Quantity": A Minimum Quantity Order is an order subject to the provisions of Chapter XXXVII, Section 6, that, upon entry, must be executed at least at its minimum quantity or it will be cancelled. If executed in part, the remaining quantity remains in the book and follows the execution rule of the order type. A Stop Limit Order can be a Minimum Quantity Order and, at the election of the order, will be handled pursuant to subsection (j) of Section 3.

(J)"Preferred Price Cross": A Two-Sided Cross Order with a "Preferred Limit Price" set by the Member. A Preferred Limit Price is the limit price at which the two-sided cross order will be executed if it is better than the best bid and offer displayed on BeX and equal to or better than the National Best Bid or National Best Offer. When the Preferred Limit Price does not meet the above conditions the execution price of the order will be the closest price above or below the Preferred Limit Price, such that the execution price is better than the best bid and offer displayed on BeX and equal to or better than the National Best

Bid or National Best Offer by a Minimum Price Variation. When the best bid and offer on BeX are equal to the National Best Bid and Offer and are one Minimum Price Variation apart, the execution price will be at the midpoint of the National Best Bid and Offer.

(K) Best Price Intermarket Sweep Order ("BPISO"): A Best Price Intermarket Sweep Order (BPISO) is an order marked as required by SEC Rule 600(b)(30) of Regulation NMS that is to be executed against any orders at the Exchange's Best Bid or Best Offer (including any undisplayed orders at that price) as soon as the order is received by BSE, with any unexecuted balance of the order to be immediately cancelled. BSE, in executing the BPISO, shall not take any of the actions described in Chapter XXXVIII, Section 4 to prevent an improper trade through. BPISO Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(L) Automated Immediate or Cancel ("AIOC"): An automated immediate or cancel order received on BSE will execute immediately and automatically, either in whole or in part, at or better than its limit price, with any unexecuted balance of the order to be immediately cancelled. The unexecuted portion of the order will not be routed to another Trading Center. AIOC Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(M) "Price-Penetrating ISO": An order marked as required by SEC Rule 600(b)(30) of Regulation NMS that is to be executed at or better than its limit price as soon as the order is received by BSE, with any unexecuted balance of the order to be immediately cancelled. Orders marked as price-penetrating ISO shall be executed against any eligible orders in BSE through multiple price points (including any undisplayed orders). BSE, in executing these orders, shall not take any of the actions described in Chapter XXXVIII, Section 4 to prevent an improper trade-through. Price-Penetrating ISO Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(N) ISO Cross Order: A two sided order marked as required by Rule 600(b)(30) of Regulation NMS that, upon receipt, will be executed without any action on the part of the Exchange to prevent an improper trade through. ISO Cross Orders must be priced better than the best bid or offer displayed on BeX. ISO Cross Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(O) Cancel on Corporate Action: In the event of a dividend, distribution or stock split ("Corporate Action"), the order in the limit book will be cancelled.

(P) Non-Displayed Order: A Limit Order, Limit or Close Order or Stop Limit Order that is not displayed in BeX but which remains available for potential execution against all incoming orders until executed in its entirety or cancelled. In the event a Non-displayed Order that crosses the National Best Bid or Offer is submitted, that order would either be cancelled or, at the instruction of the Member entering the order, routed to an away trading center(s). Similarly, if a Non-displayed Order already on the BeX book crosses the National Best Bid or Offer as a result of movement in the marketplace, that order would either be cancelled or, at the instruction of the Member entering the order, routed to an away trading center(s). Non-displayed Orders that are routed to away Trading Centers at the instruction of the Member will be routed as displayed orders.

(Q) "NMS Cross Order": an order that contains:

(A) an instruction to execute a cross transaction at a specific price; and

(B) an instruction (i) to execute all displayed and undisplayed orders or undisplayed portions of orders already in BeX at their limit prices (up to a specified number of shares) against a specified party to allow the cross transaction to occur and/or (ii) to route outbound orders to other Trading Centers to the extent necessary to prevent an improper trade-through.

An NMS Cross may represent interest of one or more Members of the Exchange but, to the extent that

it represents interest of the Member sending the order to BeX, the Member shall not be eligible to satisfy existing bids or offers in BeX at a price that is better than the cross price (when a Member's customer is on the same side of the order as the Member) and could only satisfy bids or offers in other markets at a price that is better than the cross price if the cross is for at least 10,000 shares or has a value of at least \$200,000 (a "block size order") or is for the account of an institutional customer (as that term is defined in Interpretation and Policy .03, below) and the Member's customer has specifically agreed to that outcome. Members must handle their customer limit orders with due care so as to comply with Chapter II, Section 11 of these Rules prohibiting a Member from trading ahead of customer orders.

The NMS Cross Order provides a Member with an efficient mechanism to clear out orders in BeX that would otherwise have time or price priority (and/or displayed bids or offers in other Trading Centers that would otherwise have price priority) and then to effect a cross transaction at a particular price. If an NMS Cross Order is sent with a share size that is too small to satisfy orders in BeX or bids or offers in other markets, as applicable, the order will be automatically cancelled. Once the satisfying execution has occurred (or, for orders sent to other Trading Centers, those orders have been sent), the cross will be executed at a price that is better than the best bid or offer in BeX.

(d) Orders may be entered by a Member on its own behalf, for the account of another Member (collectively, professional orders) or for the account of a customer (an agency order). In BeX, however, agency orders are subject to the same display and execution processes as professional orders, and agency orders do not receive any priority in order execution or handling.

*****Interpretations and Policies**

.01 The terms "Best Bid" and "Best Offer" shall mean, respectively, the highest and lowest priced order to buy and sell an eligible security in BeX.

.02 The terms "National Best Bid" and "National Best Offer" shall mean, respectively, the highest and lowest priced order or quote to buy and sell a BeX eligible security displayed in the consolidated quotation system for the security.

.03 For purposes of the NMS Cross Order, the term "institutional customer" shall mean the account of:

(a) a bank, savings and loan association, insurance company or registered investment company;

(b) an investment advisor registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or

(c) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

Amended.

September 29, 2006.

January 31, 2007.

April 17, 2007.

June 7, 2007.

Section 3.

Operation of BeX

(a) *Operating Hours.* BeX will operate from 7:30 a.m. until 6:30 p.m during the Exchange's Pre-Opening, Opening, Primary and Post-Primary Trading Sessions.

(i) For purposes of this Chapter XXXVII, the primary market for a security is, unless otherwise designated by the appropriate Board committee, the listing market for that security. If a security is dually listed, the primary market for that security is the market where the security was listed first.

(b) *Pre-Opening.* BeX will accept orders each day during the Pre-Opening. The Pre-Opening in BeX extends from 7:30 a.m. until 9:30 a.m. During the Pre-Opening, orders are placed on the BeX but will not be matched and do not generate trade executions. Market participants are permitted to add, modify or cancel orders. Cross, Cross with Size, ISO Cross, Preferred Price Cross and Mid-point Cross Orders do not participate in the opening and are not accepted by the BeX trading system during the Pre-Opening.

(c) *Opening.* BeX will open for trading each day once the primary market for a security opens its market on either a displayed quote or trade.

Primary Market Opening Procedures (PMOP). (i) Where the primary market opens on a trade print, the BeX opening price will match the primary market opening price for each individual security opened. Once the BeX opening price has been determined, all eligible orders priced equal to or better than the BeX opening price will be paired for execution at the determined price following applicable BeX priority rules.

(ii) Where the primary market opens on a displayed quote, the BeX will open as follows:

(a) where there are no orders in the BeX that can be matched, the BeX will open on a quote;

(b) where there are orders in the BeX that can be matched, (such as a Market Order to Market Order, Limit Order to Market Order, or Limit Orders that lock or cross) the BeX opening price will be the Theoretical Opening Price ("TOP"), provided the TOP is at or within the National Best Bid and Offer. In the event the only orders in the BeX at the opening are Market Orders, the TOP will be the prior day's closing price and, so long as that price is within the National Best Bid or Offer, the orders will be executed at that price or, if that price is not within the National Best Bid or Offer, the order would be routed, at the instruction of the Member entering the order, to the market center(s) displaying that National Best Bid or Offer. If the Member has not provided the necessary instruction to route the order, it will be cancelled;

(c) where there are orders in the BeX that can be matched, and the TOP is not at or within the National Best Bid and Offer, the BeX opening trade price will be at the National Best Bid or Offer closest to the TOP so long as Orders can be matched at that price. If Orders cannot be matched at that price, the BeX will open on a quote;

(iii) Following the opening execution process in an individual security where orders have been matched, all orders remaining that are executable against the National Best Bid or Offer will either be cancelled or, at the instruction of the Member entering the order, routed to the market center(s) displaying the National Best Bid or Offer. All other Orders will be booked on the BeX.

(iv) The TOP.

(a) The TOP is the price that maximizes the quantity of orders traded on the BeX at the opening;

(b) If multiple prices exist under subparagraph (a), above, then the TOP is the price that minimizes the quantity of orders not traded;

(c) If multiple prices exist under subparagraph (b), above, then the price that minimizes any order imbalance is the TOP;

(d) If multiple prices exist under subparagraph (b) and there is no order imbalance, the

TOP is the price closest to the previous day's closing price.

(d) *Primary Trading Session.* BeX will operate the Primary Trading Session immediately following the opening for an individual security on its primary market, as determined in accordance with subparagraph (a)(i). During the primary session, orders are automatically executed as soon as a match can be found, following applicable BeX priority rules.

(e) *Trading Halts.* BeX will halt trading during regulatory trading halts called by the primary or listing market in a security. Additionally, BeX will halt its operation during periods of unusual market conditions pursuant to Chapter II, Section 34A. If trading in an issue has been halted, BeX will go through its Pre-Opening and Opening procedures as set forth above.

(f) *Closing.* BeX will close as follows:

(i) Market on Close Period: Beginning at 3:40 p.m. (ET), BeX will broadcast the imbalance between the At the Close and Limit or Close Orders on the bid side and the At the Close and Limit or Close Orders on the sell side.

(A) During this period At the Close Orders will only be accepted on the imbalance side.

(B) During this period At the Close and Limit or Close Orders cannot be cancelled.

(ii) BeX will provide a group closing by putting all eligible orders received by 4:00 p.m. into an "Authorized Reserve State (ARS)." During ARS, BeX will not accept any new orders, cancellations or modifications. When BeX receives the closing price message from the primary market, as defined in Section 3(a)(i) above, the BeX trading system will complete the closing process for each individual security. During the closing process, all paired At the Close and Limit or Close Orders are executed at the primary market closing price. If an At the Close or Limit or Close Order is not fully executed at the close, any part not executed will be cancelled.

(iii) Trading of Exchange Traded Funds. Exchange Traded Funds ("ETF's") may trade on BeX until 4:15 p.m. Eastern Standard Time each business day. ETF's will cease matching in the BeX system after 4:15 p.m. ETF's cannot be submitted as Limit or Close Orders, they will not participate in the Market on Close Period described in subsection (f)(i), above, and they will not be placed in the Authorized Reserve State described in subsection (f)(ii), below.

(g) *Post-Primary Trading Session (PPS).* The BeX PPS will operate from the time when the primary market disseminates its closing price until 6:30 p.m. During the BeX PPS only Post Primary Cross Orders at a specific price may be submitted.

(h) *Receipt of Orders.* Orders shall be routed to BeX using one of the following methods:

(i) Except for the orders described in subparagraph (ii) below, all orders must be sent to BeX through the Exchange's systems or through other communication lines approved by the Exchange for the delivery of orders by its Members.

(ii) ITS commitments for ITS-eligible securities traded in BeX shall be sent through the ITS system.

(i) *Ranking and Display of Orders.* Except for Cross, Cross with Size, Mid-point Cross Orders, Post Primary Cross, ISO Cross Orders and Preferred Price Cross Orders, which shall be executed as described in Paragraph (k) below, all orders sent to BeX shall be ranked according to their price and time

of receipt, as follows:

(i) Limit Orders shall be ranked based on their limit prices and times of receipt by BeX.

(ii) All eligible orders shall be immediately and publicly displayed through the processes set out in the appropriate transaction reporting plan for each security when they constitute the best bid or offer in BeX for that security, provided, however, that an order that would lock or cross another ITS market shall be cancelled or, at the instruction of the Member entering the order, routed to the market center(s) displaying the National Best Bid or Offer.

(iii) The displayed portion of Reserve Orders (not the reserve portion) shall be ranked at the specified limit price and the time of order entry with its initial display quantity. If the displayed portion of the Reserve Order is decremented such that an odd-lot quantity remains from the initial displayed quantity the odd-lot quantity will not be displayed, but will keep its ranking in time priority. If the displayed portion of the Reserve Order is decremented such that a mixed lot quantity remains from the initial displayed quantity only the round lot portion of the mixed lot quantity will be displayed, but both the round lot and odd-lot portions of the mixed-lot quantity will keep their rankings in time priority. A Reserve Order will be replenished when the initial display quantity has been executed in its entirety, with the newly displayed quantity ranked at the specified limit price at the time of replenishment. The displayed portion of the Reserve Order shall be replenished for: a) the initial display quantity; or b) if the remaining reserve quantity is smaller than the initial display quantity, the entire reserve quantity; provided that any odd-lot amount or odd-lot portion of a mixed-lot will not be displayable, but will nevertheless be ranked in time priority as of the time it would have been displayed as a part of the replenishment had it not been an odd-lot quantity and will be handled in accordance with the applicable provisions of subsection (iv) of this section.

Displayed orders on BeX will be ranked in price time priority. Within each price level orders are ranked in time priority based on the time the order is displayed (in the case of reserve quantities of Reserve Orders they are considered displayed when replenished). Undisplayed orders on BeX, such as Non-displayed orders and reserve quantities of Reserve Orders, will be ranked after all other displayed orders at that price level and will be ranked in time priority amongst all undisplayed orders. For purposes of ranking any odd-lot remainder portion of a previously displayed Reserve Order initial display quantity that was decremented, although no longer displayable, is considered displayed and retains the time priority from when the initial display quantity was displayed.

(iv) For quote and display purposes of securities, BeX will aggregate all shares, including odd-lot share amounts, entered by a Member at a single price level and then round that total share amount down to the nearest round lot amount for display and dissemination. Though rounded, any odd-lot portion or a quote/order that is not displayed as a result of the rounding process will remain in BeX, with the time priority of its original entry, and be continuously available for execution. Round-lots that are subsequently reduced by executions to mixed lot amounts will be rounded for display purposes to the nearest round-lot amount at that same price level. Any odd-lot number of shares that do not get displayed as a result of this rounding will remain in BeX with time priority of their original entry and thus be continuously available for execution.

(v) Except as otherwise permitted by Interpretations and Policies .02 - .03 below, BeX will provide pre-trade anonymity for all submitted orders. All orders at all price levels on BeX shall be displayed to all Members on an anonymous basis and transactions executed on BeX will be processed anonymously, unless otherwise indicated. At the point of order entry, Members may request post-trade anonymity through clearing in addition to the automatic pre-trade anonymity. When at least one Member requests post-trade anonymity, the transaction reports will indicate the details of the transaction, but will not reveal contra party identities.

Interpretations and Policies:

.01 No Member having the right to trade through the facilities of BeX and who has been a party to or has knowledge of an execution shall be under obligation to divulge the name of the buying or selling firm in any transaction.

.02 Except as otherwise permitted by Interpretations and Policies .03 - .04 below, no Member shall transmit through the facilities of BeX any information regarding a bid, offer, other indication of an order, or the Member's identity, to another Member until permission to disclose and transmit such bid, offer, other indication of an order, or the Member's identity has been obtained from the originating Member or the originating Member affirmatively elects to disclose its identity.

.03 BeX will reveal the identity of a Member in the following circumstances:

- (A) For regulatory purposes or to comply with an order of a court or arbitrator;
- (B) When the National Securities Clearing Corporation ("NSCC") ceases to act for a Member or the Member's clearing firm, and NSCC determines not to guarantee the settlement of the Member's trades;
- (C) On risk management reports provided to the contra party of the Member or Member's clearing firm each day by 4:00 p.m. (E.S.T.) which disclose trading activity on the aggregate dollar value basis; or
- (D) Unless otherwise instructed by a Member, BeX will reveal to a Member, no later than the end of the day on the date an anonymous trade was executed, when the Member's quote or order has been decremented by another quote or order submitted by that same Member.

.04 In order to satisfy Members' record keeping obligations under SEC Rules 17a-3(a)(1) and 17a-4(a), BSE shall retain for the period specified in Rule 17a-4(a) the identity of each Member that executes an anonymous transaction described in paragraph (iv) of this rule. The information shall be retained by BSE in its original form or a form approved under Rule 17a-6. Members shall retain the obligation to comply with SEC Rule 17a-3(a)(1) and 17a-4(a) whenever they possess the identity of their contra party.

(j) *Automated Matching and Execution of Orders.* Orders shall automatically be matched and executed against each other, as follows:

(i) Except for Cross, Cross with Size, Mid-point Cross Orders and Post Primary Cross Orders, which shall be executed as described in Paragraph (k) below, an incoming order shall be matched against one or more orders in the BeX in the order of their ranking, following price and time priority for the full amount of shares available at that price, or for the size of the incoming order, if smaller. If an incoming Limit Order would trade through (as defined in the ITS Plan) the National Best Bid or Offer if executed on the BeX at the time of receipt, it will be cancelled or, at the instruction of the Member entering the order, routed to the market(s) displaying the National Best Bid or Offer.

(ii) If an incoming Limit Order cannot be matched when it is received and it is not designated as a type that should be immediately cancelled the order shall be treated in accordance with Section 3, Paragraph (i) above.

(iii) If an incoming Market Order would trade-through (as defined in the ITS Plan) the National Best Bid or Offer if executed on the BeX at the time of receipt, it will either be cancelled or, at the instruction of the Member entering the order, routed to the market(s) displaying the National Best Bid or Offer.

(iv) An inbound ITS commitment, if it is priced at or better than the current Best Bid or Offer in BeX, shall be automatically executed against the order(s) reflected in the Best Bid or Offer, for the full amount of shares available at that price, and any remaining portion of the ITS commitment shall be automatically cancelled.

(v) Orders shall only be matched at prices that are equal to, or better than, the National Best Bid or Offer.

(k) *Submission of Cross Orders.* Cross, Cross with Size, Mid-point Cross Orders, Post Primary Cross, ISO Cross and Preferred Price Cross Orders shall be automatically executed if they meet the requirements set out in Section 2(c)(ii)(A), (B), (F), (J) and (N) above. If an order designated as Cross, Cross with Size, Mid-point Cross, Preferred Price Cross, ISO Cross or Post Primary Cross does not meet such requirements at the time it is received by BeX, it shall be immediately cancelled.

Amended.

September 29, 2006. November 30, 2006. December 14, 2006. April 17, 2007.

Section 4. Cancellation of Transactions

(a) *Cancellation of Transactions.* A transaction made in demonstrable error and cancelled by both parties may be unwound, subject to the approval of the Exchange. Unresolved controversies relating to transactions that occur in BeX, and which are not addressed pursuant to the procedures in Section 5, Paragraph (a) below shall be subject to the arbitration rules of the Exchange set out in Chapter XXXII of the Rules.

Section 5. Handling of Clearly Erroneous Transactions

(a) *Handling of Clearly Erroneous Transactions.* The Exchange will respond to requests for review of clearly erroneous transactions using the following procedures:

(i) The terms of a transaction are “clearly erroneous” where there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security.

(ii) Any Member may request a review of an execution received through BeX when the Member believes that the terms of the transaction were clearly erroneous when submitted.

(A) The Member must make a request for review immediately after the execution and also must provide a written request, by facsimile or by e-mail, within 15 minutes after the execution.

(B) The Exchange shall promptly notify the other party to the transaction of the request for review.

(C) The Member making a request for review shall provide, within 30 minutes after making the written request for review (or within such longer period of time specified by Exchange staff), written documentation relating to the disputed transaction that is reasonably necessary for use by the Exchange in resolving the matter. The other party to the transaction shall provide, within 30 minutes after receiving notice from the Exchange of the request for review (or within such longer period of time specified by Exchange staff), written documentation relating to the disputed transaction that is reasonably necessary for use by the Exchange in resolving the matter. Once a party has submitted its documentation, and the period for providing the documentation has ended (or, if earlier, the party has notified the Exchange that it has no further information), the party may not provide additional information unless requested to do so by Exchange staff. Either party to the transaction may request, and the Exchange shall provide, the written documentation submitted by the other party.

(D) The Exchange’s Chief Regulatory Officer (“CRO”) or another officer designated by the CRO shall review the transaction and determine whether it is clearly

erroneous. In making that determination, the CRO or another officer designated by the CRO shall consider the goals of maintaining a fair and orderly market and the protection of investors and the public interest.

(E) If the CRO or another officer designated by the CRO determines that a transaction is not clearly erroneous, the Exchange shall notify both parties, in writing, that no action will be taken with respect to the completed trade. If the CRO or another officer designated by the CRO determines that a transaction is clearly erroneous, the CRO or another officer designated by the CRO shall declare the transaction null and void or modify one or more of the terms of the transaction with the aim of trying to return the parties to the positions that they would have been in (or to positions reasonably similar to those positions) if the error had not occurred. The Exchange shall document this decision in writing and provide copies of the decision to all parties.

(iii) Either party may appeal this determination to a subcommittee of the Exchange's Regulatory Oversight Committee ("ROC") by submitting an appeal to the Exchange's Secretary, by facsimile or in writing, within 30 minutes after receiving the Exchange's written decision or, if the Exchange notifies parties of its decision after 4:00 p.m., by 9:30 a.m. the next trading day. Once an appeal is received, the Exchange shall notify the counterparty to the trade and both parties and the Exchange itself will be permitted to submit any additional supporting written materials up to the time that the subcommittee considers the appeal. Either party to a disputed trade may request, and the Exchange shall provide, the written documentation presented to the subcommittee by the other party or by the Exchange. An appeal does not operate as a stay on the decision being appealed. After consideration of any written materials provided by the parties or by the Exchange, and after any hearings that the subcommittee may hold, the subcommittee, using the standards set out in this rule, shall affirm, modify or reverse the original decision. The subcommittee's decision on a matter shall be the final Exchange action on the matter. Any decision by the CRO or another officer designated by the CRO under subparagraph (ii) above or by the ROC subcommittees under this subparagraph (iii) shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(iv) If there is any disruption or malfunction in the use or operation of BeX, or the communications systems associated with BeX, the CRO or another officer designated by the CRO may declare any transaction arising out of the use of BeX during the period of the disruption or malfunction null and void or may modify the terms of these transactions. In making this decision, the CRO, or any designee, must find that the transactions were clearly erroneous or that the actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest. Absent extraordinary circumstances, any action by the CRO or other designee shall be taken within 30 minutes of detection of the erroneous transaction, but in no event later than 3:00 p.m. on the trading day following the date of the trade at issue. The Exchange shall notify each Member involved in the transaction as soon as practicable following the decision and any party to the transaction may appeal that decision by following the procedures set out above in subparagraph (iii) of this rule.

Section 6. Orders to be Reduced and Increased on Ex-Date

(a) When a security is quoted ex-dividend, ex-distribution, ex-rights or ex-interest, the following kinds of orders shall be reduced by the value of the payment or rights, and increased in shares in the case of stock dividends and stock distributions which result in round-lots, on the day the security sells ex:

- (i) Open buying orders;
- (ii) Open stop orders to sell. (With open stop limit orders to sell, the limit, as well as the stop price, shall be reduced.)

The following shall not be reduced:

- (i) Open stop orders to buy;
- (ii) Open selling orders.

(b) Reduction of orders, Odd amounts. When the amount of a cash dividend is not equivalent to or is not a multiple of the fraction of a dollar in which bids and offers are made in the particular stock, orders shall be reduced by the next higher variation.

(c) Reduction of orders, Proportional procedure. Open buy orders and open stop orders to sell shall be reduced by the proportional value of a stock dividend or stock distribution on the day a security sells ex-dividend or ex-distribution. The new price of the order is determined by dividing the price of the original order by 100% plus the percentage value of the stock dividend or stock distribution. For example, in a stock dividend of 3%, the price of an order would be divided by 103%.

The chart below lists, for the more frequent stock distributions, the percentages by which the prices of open buy orders and open stop orders to sell shall be divided to determine the new order prices.

<i>Distribution</i>	<i>Price of Order Divided by</i>	<i>Distribution</i>	<i>Price of Order Divided by</i>
5-for-4	125%	2-for-1	200%
4-for-3	133 1/3%	5-for-2	250%
3-for-2	150%	3-for-1	300%
5-for-3	166 2/3%	4-for-1	400%

If as a result of this calculation the price is not equivalent to or is not a multiple of the fraction of a dollar in which bids and offers are made in the particular security, the price should be rounded to the next lower variation. In reverse splits, all orders (including open sell orders and open stop orders to buy) should be cancelled.

(d) Procedure for increase in number of shares. When there is a stock dividend or stock distribution, open buy orders and open stop orders to sell shall be increased in shares as follows:

(i) When there is a stock dividend or stock distribution which results in one or more full shares for each share held, the number of shares in open buy orders and open stop orders to sell shall be increased accordingly.

EXAMPLES:

- A 3-for-1 stock distribution.
- An order for 100 shares is increased to 300 shares.
- An order for 200 shares is increased to 600 shares.
- An order for 500 shares is increased to 1500 shares.

(ii) When there is a stock dividend or stock distribution of less than a one-for-one basis and thus results in fractional shares, open buy orders and open stop orders to sell shall be increased to the lowest full round-lot.

EXAMPLES:

- A 25% stock dividend or a 5-for-4 stock distribution.
- An order for 100 shares remains at 100 shares.
- An order for 300 shares remains at 300 shares.
- An order for 900 shares is increased to 1100 shares.
- An order for 2000 shares is increased to 2500 shares.

(iii) When there is a stock dividend or stock distribution which results in fractional shares combined with full shares, the number of shares in open buy orders and open stop orders to sell shall be increased to the lowest full round-lot.

EXAMPLES:

A 5-for-2 stock distribution.

An order for 100 shares is increased to 200 shares.

An order for 200 shares is increased to 500 shares.

An order for 700 shares is increased to 1700 shares.

An order for 1200 shares is increased to 3000 shares.

Section 7. Application of BSE Rules

(a) The rules and procedures in this Chapter shall apply to trading conducted in BeX. Unless otherwise defined in this Chapter, terms used in this Chapter shall have the same meanings given them elsewhere in the Rules. Except where the context requires otherwise, the provisions of the bylaws and all other Rules and policies of the Board of Governors shall continue to be applicable to trading that occurs on the BeX. If any rule in this Chapter is inconsistent with any other provision of the Rules, the provisions of this Chapter shall control and shall be deemed to supplement or amend the inconsistent provision.

b) Inapplicable.

c) Inapplicable.

Adopted.

August 25, 2006.

Section 8. Approval of Market Makers

(a) No Member shall act as a Market Maker in any security unless such Member has been approved as a Market Maker in such security by the Exchange pursuant to this Section and the Exchange has not suspended or canceled such approval. Approved Market Makers are designated as dealers on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b) An applicant shall file an application for Market Maker status on such form as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider such factors including, but not limited to capital operations, personnel, technical resources, and disciplinary history.

(c) An applicant's Market Maker status shall become effective upon receipt by the Member of notice of an approval by the Exchange. In the event that an application is disapproved by the Exchange, the applicant shall have an opportunity to be heard upon the specific grounds for the denial, in accordance with the provisions of Chapter XXX of the BSE Rules.

(d) A Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Section 10, below.

(e) Any Market Maker may withdraw its Market Maker status by giving written notice to the Exchange. Such withdrawal shall become effective on the tenth business day following the Exchange's receipt of the notice. A Market Maker who fails to give a ten-day written notice of withdrawal to the Exchange may be subject to formal disciplinary action pursuant to Chapter XXX. Subsequent to withdrawal, the Member shall not be permitted to re-apply as a Market Maker for a period of six months.

Section 9. Assignments of Market Maker in a Security

(a) A Market Maker may be assigned a newly authorized security or in a security already admitted to dealings on the BeX by filing an assignment request form with the Exchange. Assignment of the security shall become effective on the first business day following the Exchange's approval of the assignment. In considering the approval of the assignment of the Market Maker in a security, the Exchange may consider:

- (1) the financial resources available to the Market Maker;
- (2) the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;
- (3) the Market Maker's operational capability;
- (4) the maintenance and enhancement of competition among Market Makers in each security in which they are assigned;
- (5) the existence of satisfactory arrangements for clearing the Market Maker's transactions; and
- (6) the character of the market for the security, e.g., price, volatility, and relative liquidity.

(b) A Market Maker's assignment in a security may be terminated by the Exchange if the Market Maker fails to enter quotations in the security within five (5) business days after the Market Maker's assignment in the security becomes effective.

(c) The Exchange may limit the number of Market Makers in a security upon prior written notice to Members.

(d) Market Makers shall be selected by the Exchange. Such selection shall be based on, but is not limited to, the following: experience with making markets in equities; adequacy of capital; willingness to promote the BeX as a marketplace; issuer preference; operational capacity; support personnel; and history of adherence to Exchange rules and securities laws.

(e) Voluntary Termination of Security Registration. A Market Maker may voluntarily terminate its assignment in a security by providing the Exchange with a one-day written notice of such termination. A Market Maker that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action pursuant to Chapter XXX.

(f) The Exchange may suspend or terminate any assignment of a Market Maker in a security or securities under this Section whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.

(g) A Member may seek review of any action taken by the Exchange pursuant to this Rule, including the denial of the application for, or the termination or suspension of, a Market Maker's assignment in a security or securities, in accordance with Chapter XXX.

Section 10. Obligations of Market Makers

(a) General. Members who are assigned as Market Makers in one or more securities traded on the BeX must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the BeX in accordance with this Section. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

- (1) Maintain continuous, two-sided quotes in those securities in which the Market Maker is assigned to trade;
- (2) Maintain adequate minimum capital in accordance with Rule 15(c)3-1 promulgated under the Securities Exchange Act of 1934;

- (3) Remain in good standing with the Exchange;
- (4) Inform the Exchange of any material change in financial or operational condition or in personnel; and
- (5) Clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another Member that clears trades through such agency.

(b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Section during the Primary Trading Session on all days in which the Exchange is open for business.

(c) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of the assignment by the Exchange in one or more of the securities in which the Market Maker is assigned. Nothing in this Section will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Exchange with respect to the Market Maker's Membership status or in respect of any violation by a Market Maker of the provisions of this Rule. In accordance with Chapter XXX, a Member may seek review of actions taken by the Exchange pursuant to this Section.

(d) Temporary Withdrawal. A Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is assigned. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the securities to another Market Maker.

(e) Market Makers will be required to maintain minimum performance standards the levels of which may be determined from time to time by the Exchange. Such levels will vary depending on the price, liquidity, and volatility of the security in which the Market Maker is assigned. The performance measurements will include (i) percent of time at the National Best Bid or National Best Offer; (ii) percent of executions better than the National Best Bid or National Best Offer; (iii) average displayed size; (iv) average quoted spread; and (v) in the event the security is a derivative security, the ability of the Market Maker to transact in underlying markets.

Section 11. Limitations on Dealings

(a) General. A Market Maker on the Exchange may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier (also commonly referred to as "Chinese Wall") between the market making activities and the Other Business Activities. "Other Business Activities" mean:

- (1) conducting an investment banking or public securities business; or
- (2) making markets in the options overlying the security in which it makes markets.

(b) Information Barrier. For the purposes of this rule, an Information Barrier is an organizational structure in which:

- (1) The market making functions are conducted in a physical location separate from the locations in which the Other Business Activities are conducted, in a manner that effectively impedes the free flow of communications between persons engaged in the market making functions and persons conducting the Other Business Activities. However, upon request and not on his/her own initiative, a person engaged in the market making functions may furnish to persons at the same firm or an affiliated firm ("affiliated persons"), the same sort of market information that the person engaged in the market making function would make available in the normal course of its market making activity to any other person. The person engaged in the market making function must provide such

information to affiliated persons in the same manner that he/she would make such information available to a non-affiliated person.

(2) There are procedures implemented to prevent the use of material non-public corporate or market information in the possession of persons on one side of the barrier from influencing the conduct of persons on the other side of the barrier. These procedures, at a minimum, must provide that:

(A) the person performing the function of a Market Maker does not take advantage of knowledge of pending transactions, order flow information, corporate information or recommendations arising from the Other Business Activities; and

(B) all information pertaining to the Market Maker's positions and trading activities is kept confidential and not made available to persons on the other side of the Information Barrier.

(3) Persons on one side of the barrier may not exercise influence or control over persons on the other side of the barrier, provided that:

(A) the market making function and the Other Business Activities may be under common management as long as any general management oversight does not conflict with or compromise the Market Maker's responsibilities under the Rules of the Exchange.

(c) Documenting and Reporting of Information Barrier Procedures. A Member implementing an Information Barrier pursuant to this Section shall submit to the Exchange a written statement setting forth:

(1) The manner in which it intends to satisfy the conditions in paragraph (b) of this Section, and the compliance and audit procedures it proposes to implement to ensure that the Information Barrier is maintained;

(2) The names and titles of the person or persons responsible for maintenance and surveillance of the procedures;

(3) A commitment to provide the Exchange with such information and reports as the Exchange may request relating to its transactions;

(4) A commitment to take appropriate remedial action against any person violating this Section or the Member's internal compliance and audit procedures adopted pursuant to subparagraph (c)(1) of this Section, and that it recognizes that the Exchange may take appropriate remedial action, including (without limitation) reallocation of securities in which it serves as a Market Maker, in the event of such a violation;

(5) Whether the Member or an affiliate intends to clear its proprietary trades and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the Member's Information Barrier, which procedures, at a minimum, must be the same as those used by the Member or the affiliate to clear for unaffiliated third parties; and

(6) That it recognizes that any trading by a person while in possession of material, non-public information received as a result of the breach of the internal controls required under this Rule may be a violation of Rules 10b-5 and 14e-3 under the Exchange Act or one or more other provisions of the Exchange Act, the rules thereunder or the Rules of the Exchange, and that the Exchange intends to review carefully any such trading of which it becomes aware to determine whether a violation has occurred.

(d) Approval of Information Barrier Procedures. The written statement required by paragraph (c) of this Section must detail the internal controls that the Member will implement to satisfy each of the

conditions stated in that Section, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If the Exchange determines that the organizational structure and the compliance and audit procedures proposed by the Member are acceptable under this Section, the Exchange shall so inform the Member, in writing. Absent the Exchange finding a Member's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities.

(e) Clearing Arrangements. Subparagraph (c)(5) permits a Member or an affiliate of the Member to clear the Member's Market Maker transactions if it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the Information Barrier. In this regard:

(1) The procedures must provide that any information pertaining to Market Maker securities positions and trading activities, and information derived from any clearing and margin financing arrangements, may be made available only to those employees (other than employees actually performing clearing and margin functions) specifically authorized under this Rule to have access to such information or to other employees in senior management positions who are involved in exercising general managerial oversight with respect to the market making activity.

(2) Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under the Exchange's Rules.

Section 12. Access

(a) General. BeX shall be available for entry and execution of orders by Members, Member Organizations and Sponsored Participants with authorized access. To obtain authorized access to BeX, each Sponsored Participant must enter into a BeX Participant Agreement.

(b) Sponsored Participants. A Sponsored Participant may obtain authorized access to BeX only if such access is authorized in advance by one or more Sponsoring Member Organizations as follows:

(1) Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring Member Organizations establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on BeX. Such customer agreement(s) must incorporate the Sponsorship Provisions set forth in paragraph (2) below.

(2) For a Sponsored Participant to obtain and maintain authorized access to BeX, a Sponsored Participant and its Sponsoring Member Organization must agree in writing to the following Sponsorship Provisions:

(A) Sponsored Participant and its Sponsoring Member Organization must have entered into and maintain a BeX Participant Agreement with BSX Group, LLC and the BSE. The Sponsoring Member Organization must designate the Sponsored Participant by name in its BeX Participant Agreement as such.

(B) Sponsoring Member Organization acknowledges and agrees that:

(i) All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member Organization; and

(ii) Sponsoring Member Organization is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

(C) Sponsoring Member Organization shall comply with the Exchange's Certificate of Incorporation, Bylaws, Rules and procedures with regard to BeX and Sponsored Participant shall comply with the Exchange's Certificate of Incorporation, Bylaws, Rules and procedures with regard to BeX as if Sponsored Participant were a Member of the Exchange.

(D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member Organization a list of Authorized Traders who may obtain access to BeX on behalf of the Sponsored Participant.

(E) Sponsored Participant shall familiarize its Authorized Traders with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to BeX.

(F) Sponsored Participant may not permit anyone other than Authorized Traders to use or obtain access to BeX.

(G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to BeX, including unauthorized entry of information into BeX, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of Authorized Traders, and for the trading and other consequences thereof.

(H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents and customers' use and access to BeX for compliance with the terms of this agreement.

(I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member Organization, BSX Group LLC, BeX, the BSE or any other third parties that arise from the Sponsored Participants access to and use of BeX. Such amounts include, but are not limited to applicable exchange and regulatory fees.

(3) The Sponsoring Member Organization must provide the Exchange with a Notice of Consent acknowledging its responsibility for the orders, executions and actions of its Sponsored Participant at issue.

Chapter XXXVIII - Regulation NMS

Section 1. Definitions

(a) "Automated Quotation" means a quotation displayed by a trading center that:

(i) Permits an incoming order to be marked as immediate-or-cancel;

(ii) Immediately and automatically executes an order marked as immediate-or-cancel against the displayed quotation up to its full size;

(iii) Immediately and automatically cancels any unexecuted portion of an order marked as immediate-or-cancel without routing the order elsewhere;

(iv) Immediately and automatically transmits a response to the sender of an order marked

as immediate-or-cancel indicating the action taken with respect to such order; and

(v) Immediately and automatically displays information that updates the displayed quotation to reflect any change to its material terms.

(b) "Manual Quotation" means any quotation other than an automated quotation.

(c) "Protected Bid" or "Protected Offer" means a quotation in an NMS stock that:

(i) Is displayed by an automated trading center;

(ii) Is disseminated pursuant to an effective national market system plan; and

(iii) Is an automated quotation that is the best bid or best offer of a national securities exchange, the best bid or best offer of The Nasdaq Stock Market Inc., or the best bid or best offer of a national securities association other than the best bid or best offer of The Nasdaq Stock Market, Inc.

(d) "Protected Quotation" means a Protected Bid or a Protected Offer.

(e) "Regular Way" means bids, offers, and transactions that embody the standard terms and conditions of a market.

(f) "Trading Center" means a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent.

Adopted.

September 29, 2006.

Section 2. Locking or Crossing Quotations in NMS Stocks.

(a) Definitions. For purposes of this Rule, the following definitions shall apply:

(i) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in SEC Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

(ii) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(iii) The term locking quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(b) Prohibition. Except for quotations that fall within the provisions of paragraph (d) of this Rule, members of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice

of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan. The BSE will ensure compliance with the terms of the ITS Plan (so long as it is in effect and is applicable to the BSE) and, as of the Regulation NMS Trading Phase Date with the applicable provisions of Regulation NMS with respect to Locking or Crossing Quotations.

(c) Manual quotations. If a member of the Exchange displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such member of the Exchange shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(d) Exceptions.

(i) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(ii) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(iii) The locking or crossing quotation was an automated quotation, and the member of the Exchange displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(iv) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the member of the Exchange displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

Adopted.

September 29, 2006.

Amended.

January 31, 2007.

Section 3. Order Routing

(a) Eligible Orders are any orders that are designated by the customer to execute or route. IOC, AIOC, all ISO order types and FOK orders shall not be designated to execute or route.

(b) If any Eligible Order requiring routing to another Trading Center has not been executed in its entirety on BeX due to the requirements of Section 4, paragraph (a) and the terms of the order require that it be routed to another Trading Center for execution it shall be routed as follows:

(i) Orders shall be routed either in their entirety or as component orders to an away Trading Center(s). Orders will be routed consistent with Rule 611 of Regulation NMS to the Trading Center(s) publishing the better priced Protected Bid(s) or Protected Offer(s) for execution against such Protected Bid(s) or Protected Offer(s) for the full displayed size of the Protected Quotation. The remaining portion of the order, if any, will be executed, or ranked and displayed on the BSE book in accordance with the terms of such order and will be handled in the manner described in Chapter XXXVII, Section 3 of the BSE Rules.

(ii) If the BSE system cannot execute or book an Eligible Order it will route the Eligible

Order to another Trading Center on behalf of the Member who submitted the Eligible Order if that Member is a member or subscriber of the away Trading Center, or in the case where the Member is not a member or subscriber of the away Trading Center the order will be routed on behalf of that Member through a third-party broker dealer, or "give up," that is a member or subscriber of the away Trading Center and, if not executed in its entirety at the away Trading Center, would be handled in the manner described in subsection (b)(i), above.

Commentary:

As described above, the Exchange will route orders to other Trading Centers under certain circumstances ("Routing Services"). The Exchange will provide its Routing Services pursuant to the terms of three separate agreements: (1) an agreement between the Exchange and each Member on whose behalf orders will be routed ("Member-Exchange Agreement"); (2) an agreement between the Exchange and each third-party broker-dealer that will serve as a "give-up" on an away Trading Center when the Member on whose behalf an order is routed is not also a member or subscriber of the away Trading Center ("Give-Up Agreement"); and (3) an agreement between the Exchange and a third-party service provider ("Technology Provider") pursuant to which the Exchange licenses the routing technology used by the Exchange for its Routing Services ("Exchange-Technology Provider Agreement").

.01 (a) The Exchange will provide its Routing Services in compliance with these rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

(b) As provider of the Routing Services, the Exchange will license the necessary routing technology for use within its own systems and accordingly will control the logic that determines when, how, and where orders are routed away to other Trading Centers.

(c) The Exchange will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange (including its facilities) and the Technology Provider, and, to the extent the Technology Provider reasonably receives confidential and proprietary information, that adequately restrict the use of such information by the Technology Provider to legitimate business purposes necessary for the licensing of routing technology.

(d) The Exchange-Technology Provider Agreement will include terms and conditions that enable the Exchange to comply with this Commentary .01.

* * *

(iii) The order that is routed away shall remain outside the BSE for a prescribed period of time and may be executed in whole or in part subject to the applicable trading rules of the relevant Trading Center. While an order remains outside the Exchange, it shall have no time standing, relative to other orders received from BSE Members at the same price which may be executed against orders in the BSE book. Requests from Members to cancel their orders while the order is routed away to another Trading Center and remains outside the Exchange shall be processed, subject to the applicable trading rules of the relevant Trading Center.

(iv) Where an order is not fully executed at an away Trading Center(s), the order shall be executed, or ranked and displayed on the BSE book in accordance with the terms of such order and handled in the manner described in Chapter XXXVII, Section 3 of the BSE Rules.

Adopted.

September 29, 2006.

Section 4. Order Protection Requirements

(a) An order is not eligible for execution on the BSE if its execution is at a price that is lower than a Protected Bid or higher than a Protected Offer ("Trade-Through"), or if its execution would be improper under SEC Rule 611 of Regulation NMS (together, an "improper trade-through"). If the execution of an order on the Exchange would cause an improper trade-through, that order shall, at the instruction of the Member entering the order, be routed to the appropriate Trading Center(s) or, if not designated by the Member to route, automatically cancelled.

(b) *Exceptions.* If the purchase or sale of an NMS stock qualifies for an exception to Rule 611 of Regulation NMS, the BSE will attach an appropriate modifier, approved by the operating committee of the relevant national market system plan for an NMS stock, to the trade before it is publicly reported, in the following circumstances that are exceptions under Rule 611 of Regulation NMS. If a trade is executed pursuant to both the intermarket sweep order exception of Rule 611(b)(5) or (6) and the self-help exception of Rule 611(b)(1) such trade shall be identified as executed pursuant to the intermarket sweep order exception.

(i) *Crossed markets.* If a trade is executed on the BSE at a time when a Protected Bid was priced higher than a Protected Offer;

(ii) *Self-help.* If the Trading Center displaying the Protected Quotation that was traded through was experiencing a failure, material delay or malfunction of its systems or equipment.

(iii) *Other exceptions.*

- (1) a non-regular way cross,
- (2) a single-price opening, reopening or closing trade;
- (3) an inbound ISO; or
- (4) a benchmark order is executed at the BSE.

(c) In any transaction for or with a customer, a Member and persons associated with a Member shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. In all customer transactions, a Member and persons associated with a Member shall comply with all applicable best execution requirements.

(d) *Trade-through policies and procedures.* In determining whether a trade on the BSE would create an improper trade-through, the BSE will adhere to the terms of the ITS Plan (so long as it is in effect and is applicable to the BSE) and, as of the Regulation NMS Trading Phase Date, the applicable provisions of Regulation NMS, as well as to the following policies and procedures to the extent the policies and procedures are consistent with the terms of the ITS Plan or Regulation NMS, as applicable:

(i) *Clock synchronization and timing of the determination of improper tradethroughs.* The BSE's systems shall routinely, throughout the trading day, use processes that capture the time reflected on the atomic clock operated by the National Institute of Standards and Technology and shall automatically make adjustments to the time recorded in the BSE to ensure that the period between the two times will not exceed 500 milliseconds. The BSE shall determine whether a trade would create an improper trade-through based on the most recent Protected Bid(s) and Protected

Offer(s) that have been received and processed by the BSE's systems.

(ii) *Manual quotations of other markets.* The BSE shall disregard another Trading Center's bid or offer if it is identified by the other Trading Center as a manual quotation.

(e) The BSE is designed, under the rules set out in this Chapter, to display bids and offers that qualify as automated quotations under the definition set out in SEC Rule 600(b)(3). The BSE shall use the following procedures for determining whether the quotes should be identified as "manual":

(i) *Periodic testing.* The Market Operations Center ("MOC") will have a real time monitoring tool, which will check the elapsed time between receipt of every AIOC order (any order type) and the corresponding response to each AIOC order by the trading system. A predetermined threshold will be set to generate an alert for any instances where the elapsed time between order receipt and response exceeds the preset limit.

(ii) *Adding the "manual" identifier.* Immediately upon receiving an alert from the processes described above in subparagraph (e)(i) that the Exchange's trading system has not accepted and properly handled two or more AIOC orders in a symbol sent as sequential messages the MOC shall append a "manual" identifier to the bids and offers it makes publicly available in that symbol.

(iii) *Returning to automated quotations.* Once the Exchange has made any required systems changes, or has otherwise determined that its quotations satisfy the requirements of SEC Rule 600(b)(3), and has conducted the applicable test(s) set out above to confirm that the Exchange's quotes qualify as "automated quotations," the Exchange shall remove the "manual" identifier from the bids and offers that are made publicly available. The Exchange also shall notify other Trading Centers that its quotations are automated by announcing that fact over the squawk box or other similar functionality available for communications with other Trading Centers.

Adopted.

September 29, 2006.

Amended.

January 31, 2007.

Chapter XXXIX – Affiliation with The NASDAQ OMX Group, Inc.

Section 1. Nasdaq Ownership Restriction

(a) No member or person associated with a member shall be the beneficial owner of greater than twenty percent (20%) of the then-outstanding voting securities of The NASDAQ OMX Group, Inc.

(b) For purposes of this rule, any calculation of the number of shares of common stock outstanding at any particular time shall be made in accordance with the last sentence of SEC Rule 13d-3(d)(1)(i)(D). The term "beneficial owner" shall have the meaning set forth in the Restated Certificate of Incorporation of The NASDAQ OMX Group, Inc.

Section 2. Restrictions on Affiliation

(a) Except as provided in paragraph (b):

(1) the Exchange or any entity with which it is affiliated shall not, directly or indirectly, acquire or maintain an ownership interest in, or engage in a business venture with, an Exchange member or an affiliate of an Exchange member in the absence of an effective filing under Section 19(b) of the Act; and

(2) an Exchange member shall not be or become an affiliate of the Exchange, or an affiliate of an entity affiliated with the Exchange, in the absence of an effective filing under Section 19(b) of the Act.

The term "affiliate" shall have the meaning specified in Rule 12b-2 under the Act; provided, however, that for purposes of this Rule, one entity shall not be deemed to be an affiliate of another entity solely by reason of having a common director. The term "business venture" means an arrangement under which

(A) the Exchange or an entity with which it is affiliated, and

(B) an Exchange member or an affiliate of an Exchange member, engage in joint activities with an expectation of shared profit and a risk of shared loss from common entrepreneurial efforts.

(b) Nothing in this rule shall prohibit, or require a filing under Section 19(b) of the Act, for:

(1) an Exchange member or an affiliate of an Exchange member acquiring or holding an equity interest in The NASDAQ OMX Group, Inc. that is permitted by the ownership limitations contained in Chapter XXXIX, Section 1, or

(2) the Exchange or an entity affiliated with the Exchange acquiring or maintaining an ownership interest in, or engaging in a business venture with, an affiliate of an Exchange member if:

(A) there are information barriers between the member and the Exchange and its facilities, such that the member

(i) will not be provided an informational advantage concerning the operation of the Exchange and its facilities, and will not be provided changes or improvements to the trading system that are not available to the industry generally or other Exchange members;

(ii) will not have any knowledge in advance of other Exchange members of proposed changes, modifications, or improvements to the operations or trading systems of the Exchange and its facilities, including advance knowledge of Exchange filings pursuant to Section 19(b) of the Act;

(iii) will be notified of any proposed changes, modifications, or improvements to the operations or trading systems of the Exchange and its facilities in the same manner as other Exchange members are notified; and

(iv) will not share employees, office space, or databases with the Exchange or its facilities, The NASDAQ OMX Group, Inc., or any entity that is controlled by The NASDAQ OMX Group, Inc.; and

(B) the Exchange's Regulatory Oversight Committee certifies, on an annual basis, to the Director of the Division of Trading & Markets that the Exchange has taken all reasonable steps to implement the requirements of this rule and is in compliance therewith.

Adopted.

August 7, 2008.

Amended.

July 17, 2009. May 14, 2012.

Delivery Rules of the BSE

Part I, Deliveries in general

Deliveries in general

In all deliveries of securities the party delivering shall have the right to require the purchase money to be paid upon delivery; if delivery is made by transfer, payment may be required at the time and place of transfer.

In the delivery of stock the receiver shall have the option of receiving said stock by (a) certificate and irrevocable assignment, in the name of, or with signature guaranteed by, a member or member-organization or with signature guaranteed by any commercial bank or trust company or

(b) by transfer thereof; but in all cases where personal liability attaches to ownership the seller shall have the right to deliver stock by transfer.

The transferor of securities must on demand of the purchaser supply proof of his authority to transfer or any other requisite which may be necessary to obtain registration of the transfer of the securities.

When books closed

The right to require receipt by delivery or transfer shall not obtain while the transfer books are closed.

Exactness of signatures

The signature to an assignment or power of substitution must be technically correct; i.e., it must correspond with the name as written upon the certificate in every particular without alteration or enlargement, or any change whatever, except that "and" or "&", "Company" or "Co.", "Corporation" or "Corp.", "Incorporated" or "Inc." may be written either way.

Erasure guarantee

Any alteration or correction in an assignment, power of substitution, or other instrument, shall be guaranteed by the person, firm or corporation executing the same.

Assignments and powers of attorney by trustees, etc.

A certificate with an assignment or power of substitution executed by a (1) person since deceased; (2) trustee or trustees, except trustees acting in the capacity of a board of directors of a corporation or association; (3) guardian; (4) infant; (5) executor; (6) administrator; (7) receiver in bankruptcy; (8) agent; or (9) attorney shall not be a good delivery except as noted under (a) (b) or (c) below:

- (a) Domestic individual executor/s or administrator/s
- (b) Domestic individual trustee/s under inter vivos or testamentary trusts
- (c) Domestic guardian/s including Committees, conservators and curators.

Note: Exceptions --Domestic --The above exceptions to the Rule are to cover transfers that will be effected by transfer agents without additional documentation. Such exceptions apply only to securities of a domestic issuer (i.e., one organized under the laws of any state of the United States, and the District of Columbia) which bear the domestic registrations set forth in (a) (b) and (c). Certificates bearing such registration must be properly assigned, and the signature/s must be guaranteed.

Delegated signature

A firm having as a general partner or a corporation having as a holder of voting stock a member of the Exchange may authorize one or more employees to assign registered securities in the firm or corporate name and to guarantee signatures or endorsements, with the same effect as if the name of the firm or corporation had been signed under like circumstances by one of the partners of the firm or by a proper officer of the corporation by executing and filing with the Exchange a separate power of attorney for each employee so authorized.

Assessment paid certificate

Certificates of stock upon which an assessment has been levied, and which have been traded in "assessment paid" are not a valid delivery unless said assessment has been paid and so stamped on the certificate.

Members and member-organizations under suspension

Securities in name of, or guaranteed by, a member-organization or member of the Exchange suspended for insolvency are not a good delivery. If the books are closed, said securities will be a good delivery, during the closing of the books only, when the assignments thereon have been acknowledged before a notary public, verifying the date of execution, which date must have been prior to suspension.

Deceased members and member-organizations which have ceased

Certificates in the name of a deceased person, or of a member-organization which has ceased to exist, are a good delivery only during the close of transfer books, and with proper notarial acknowledgment. When transfer books are closed, if unproved certificates are delivered after death or dissolution, they must be taken back at any time while transfer books remain closed. When transfer books are open, if certificates, whether proven or not, are delivered after dissolution or death, they must be taken back if claim is made within three days, provided transfer books are still open.

Reorganized member-organizations

When a firm or corporation dissolves or liquidates and the business is carried on by a new firm or corporation under the old firm or corporate name, certificates, the assignments of which have been executed by the old firm or corporation, will only be a good delivery when the new firm or corporation shall have written after said assignment "execution guaranteed" with date, and signed the new firm or corporate name thereto.

Non-member individuals or organizations

Certificates in the name of individuals or firms or corporations which have ceased to be members of the Exchange are not a good delivery unless signatures are guaranteed by a member or member-organization or by a commercial bank or trust company.

Co-tenancy

A certificate with an inscription to indicate joint tenancy, tenancy by the entirety or tenancy in common is a good delivery only when signed by all persons indicated as having an interest.

Qualifications

A certificate with a qualification, restriction or special designation is not good delivery.

Certificates in name of corporation

A certificate in the name of a corporation or an institution, or in a name with official designation, shall be a good delivery only if the receiver is satisfied that proper papers for transfer are filed with the transfer agent.

Indefinite closing of transfer books

When transfer books are closed by any legal impediment, so as to render their being open again uncertain, assignments must be acknowledged before a notary public, with seal and date.

Detached power of attorney

A detached assignment or power of substitution, must contain a full description of the stock or bond by name of company and number of certificate and must be acknowledged before a notary public, with seal and date. A separate assignment and acknowledgment must accompany each certificate.

Amended.

July 8, 1971. April 7, 1978.

Part II, Rights

Rights

Assignment of "Rights" with the signature of the assignor witnessed and guaranteed in the same manner as other assignments, as provided in these Rules, is a delivery, except in cases when two forms are provided, one for the shareholders and another for the broker. In all such cases, the assignment of a Stock Exchange member or member-organization, and not that of the individual shareholder shall constitute a good delivery. When two forms are not provided a member or member-organization may execute assignments of Rights as agent on behalf of his or its customers.

Part III, Due-bills

Due-bills

Due-bills must be in form as prescribed by the Board of Governors.

Part IV, Bonds --What constitutes "endorsed bonds"

Bonds --What constitutes "endorsed bonds"

Coupon bonds, issued to bearer, having an endorsement upon them not properly pertaining to them as a security, must be sold specifically as "Endorsed Bonds" and will not be regarded as a good delivery under a sale not so qualified.

If a definite name --such as John Smith; Brown, Jones & Co.; American Bank --appears upon a bond, and was not placed there for any purpose of the issuing company by any of its officers, it implies ownership and is an "Endorsed Bond" which must be released by acknowledgment before a notary. The bond is then a good delivery only as an "Endorsed Bond".

Bonds with assignments or releases executed by trustees, guardians, infants, executors, administrators, agents, attorneys, conservators or receivers in bankruptcy are not a good delivery as "Endorsed Bonds".

Coupon bond delivery

Coupon Bonds. --Delivery must be in certificates of denominations not exceeding \$5,000.

Registered bond delivery

Registered Bonds. --Deliveries must be in certificates of denominations not exceeding \$10,000.

Missing coupons

Coupons on a bond must be those which properly belong to it, of the corresponding number. The money value of a missing coupon may be substituted only with the consent of the Exchange for each delivery.

Registered bonds to bearer

Bonds which can be registered in a name or to bearer, and which have been registered in a name, must be registered to bearer to be a delivery. When transfer books are closed, if registered in a name, a separate assignment form, acknowledged before a notary, in name of, witnessed and with signature guaranteed by, a member or member-organization, must accompany each bond.

Part V, Form of acknowledgement

Form of acknowledgement

Commonwealth of Massachusetts.

County of

On this day of , 19 , before me came (and , husband and wife) (the [e.g. President] of [e.g. Ajax Corporation]) (a partner of the firm of ...), to me personally known, and acknowledged that he (they) executed the foregoing Assignment and Power of Attorney (on behalf of said [corporation, being thereunto duly authorized] [firm]) for the purpose therein mentioned.

[NOTARIAL SEAL]

Notary Public
(Inapplicable alternatives should be deleted.)

BOSTON OPTIONS EXCHANGE GROUP LLC

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APPENDIX

Grandfathered Boston Options Exchange Group LLC Rules

Boston Options Exchange Group LLC ("BOX") is no longer a facility of the Exchange. These rules and the applicable Grandfathered BSE Rules continue to apply to BOX and Options Participants and associated persons subject to the jurisdiction of the Exchange that occurred during the time that BOX was a facility of the Exchange. Terms below must be read in context regarding activities which occurred when BOX was a facility of the Exchange and regarding activities relating to continued Exchange jurisdiction, such as disciplinary matters.

CHAPTER I. GENERAL PROVISIONS

Sec. 1 Definitions

(a) With respect to these BOX Rules, the following terms shall have the meanings specified in this Section 1. A term defined elsewhere in the Rules of the Exchange shall have the same meaning with respect to this Chapter I, unless otherwise defined below.

- (1) The term "**aggregate exercise price**" means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.
- (2) The term "**American-style option**" means an options contract that, subject to the provisions of Chapter VII, Section 1 of these BOX Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.
- (3) The term "**associated person**" or "**person associated with a Participant**" means any partner, officer, director, or branch manager of an Options Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Participant or any employee of a Participant.
- (4) The term "**bid**" means a limit order to buy one or more options contracts.
- (5) The term "**Board**" means the Board of Directors of Boston Options Exchange Regulation LLC.
- (6) The term "**BOX**" means the Boston Options Exchange or Boston Stock Exchange Options Exchange, formerly an options trading facility of the Exchange under Section 3(a)(2) of the Exchange Act.
- (7) The term "**BOX Rules**" or "**Rules of BOX**" means these Grandfathered Rules of the Boston Options Exchange Facility. Where applicable, it may mean the rules in place while BOX was a facility of the Exchange.
- (8) The term "**BOX Transaction**" means a transaction involving an options contract that is effected on or through BOX or its facilities or systems.
- (9) The term "**BOXR**" or "**BOX Regulation**" means Boston Options Exchange Regulation LLC, which was a wholly-owned

subsidiary of the Exchange. Where applicable for these Grandfathered Rules, it may mean the Exchange.

- (10) The term "**BSE Rules**" means the Grandfathered BSE Rules.
- (11) The term "**call**" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.
- (12) The term "**Central Order Book**" or "**BOX Book**" means the electronic book of orders maintained by the BOX Trading Host.
- (13) The term "**class of options**" means all options contracts of the same type and style covering the same underlying security.
- (14) The term "**Clearing Corporation**" means The Options Clearing Corporation.
- (15) The term "**Clearing Participant**" means a Participant that is self-clearing or a Participant that clears BOX Transactions for other Participants of BOX.
- (16) **Reserved**
- (17) The term "**closing writing transaction**" means a BOX Transaction that reduces or eliminates a long position in an options contract.
- (18) The term "**covered short position**" means (i) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.
- (19) The term "**Customer**" means either a Public Customer or a broker-dealer.
- (20) The term "**Customer Order**" means an agency order for the account of either a Public Customer, as defined herein, or a broker-dealer.
- (21) The term "**Directed Order**" means any Customer Order to buy

or sell which has been directed to a particular Market Maker by an OFP.

- (22) The term "**discretion**" means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.
- (23) The term "**European-style option**" means an options contract that, subject to the provisions of Chapter VII, Section 1 of these Rules (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.
- (24) The term "**Exchange**" means the Boston Stock Exchange, Inc. now known as NASDAQ OMX BX.
- (25) The term "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, or Rules thereunder.
- (26) The term "**exercise price**" means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.
- (27) The terms "**he**," "**him**" or "**his**" shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.
- (28) The term "**index option**" means, as the context requires, either an options contract that is an option on an index of equity securities prices or a contract on a tradable instrument which tracks such prices.
- (29) The term "**individual equity option**" means an options contract which is an option on an equity security.
- (30) The term "**long position**" means a person's interest as the holder of one or more options contracts.
- (31) The term "**Market Maker**" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of these Rules. All Market Makers are designated as specialists on the Exchange for all purposes under the Exchange Act or Rules thereunder.
- (32) The term "**Market Operations Center**" or "**MOC**" means BOX's Market Operations Center, which provides market support for Options Participants during the trading day.
- (33) The term "**Market Regulation Center**" or "**MRC**" means the Exchange's facilities for surveilling and regulating the conduct of business for options on BOX.

- (34) The term "**NBBO**" means the national best bid or offer as calculated by BOX based on market information received by BOX from OPRA.
- (35) **Reserved.**
- (36) The term "**offer**" means a limit order to sell one or more options contracts.
- (37) The term "**opening purchase transaction**" means a BOX Transaction that creates or increases a long position in an options contract.
- (38) The term "**opening writing transaction**" means a BOX Transaction that creates or increases a short position in an options contract.
- (39) The term "**options contract**" means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.
- (40) The term "**options market close**" or "**market close**" means the time specified by BOX for the cessation of trading in contracts on BOX for options on that market day.
- (41) The term "**options market open**" or "**market open**" means the time specified by BOX for the commencement of trading in contracts on BOX for options on that market day.
- (42) The term "**Options Participant**" or "**Participant**" means a firm, or organization that was registered with the Exchange pursuant to Chapter II of these Rules for purposes of participating in options trading on BOX as an "Order Flow Provider" or "Market Maker".
- (43) The term "**Options Principal**" means a person engaged in the management and supervision of the Options Participant's business pertaining to options contracts who has responsibility for the overall oversight of the Options Participant's options related activities on the Exchange.
- (44) The term "**Options Official**" means an officer of BOX Regulation vested by the BOX Regulation Board with certain authority to supervise option trading on BOX.
- (45) The term "**Options Participation Agreement**" means the agreement to be executed by Options Participants to qualify to participate on BOX.
- (46) The term "**OPRA**" means the Options Price Reporting Authority.
- (47) The term "**order**" means a firm commitment to buy or sell options contracts as defined in Section 14 of Chapter V (Order

Entry).

- (48) The terms "**Order Flow Provider**" or "**OFP**" mean those Options Participants representing as agent Customer Orders on BOX and those non-Market Maker Participants conducting proprietary trading.
- (49) The term "**outstanding**" means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.
- (50) The term "**pre-opening**" means the period immediately prior to the market open on BOX, beginning at a time specified by BOX, during which Participants may log on to the Trading Host and submit, amend and withdraw orders, but no trading can occur.
- (51) The term "**primary market**" means the principal market in which an underlying security is traded.
- (52) The term "**Professional**" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Participants.
- (53) The term "**Public Customer**" means a person that is not a broker or dealer in securities.
- (54) The term "**Public Customer Order**" means an order for the account of a Public Customer.
- (55) The term "**put**" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.
- (56) The term "**Quarterly Options Series**" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.
- (57) The term "**quote**" or "**quotation**" means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.
- (58) The term "**Request for Quote**" or "**RFQ**" shall mean a message that may be issued by an Options Participant in order to signal an interest in an options series and request response from other

Participants. The RFQ contains only the series symbol and quantity and is broadcast to all Participants.

- (59) The term "**Responsible Person**" shall mean a United States-based officer, director or management-level employee of an Options Participant, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Participant.
- (60) The term "**Rules of the Clearing Corporation**" or "**Rules of the OCC**" means the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.
- (61) The term "**Rules of the Exchange**" means the BX By-Laws and, where applicable, the BX Rules and the Grandfathered Rules.
- (62) The term "**SEC**" or "**Commission**" means the United States Securities and Exchange Commission.
- (63) The term "**series of options**" means all options contracts of the same class of options having the same exercise price and expiration date.
- (64) The term "**session end**" means the period immediately following Market Close, ending at a time specified by BOX, during which Participants may withdraw any GTC orders that they do not wish to remain in the market for the following market day.
- (65) The term "**short position**" means a person's interest as the writer of one or more options contracts.
- (66) The term "**Short Term Options Series**" means a series in an option class that is approved for listing and trading on BOX in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.
- (67) The term "**SRO**" means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.
- (68) The term "**Trading Host**" means the automated trading system used by BOX for the trading of options contracts.
- (69) The term "**type of option**" means the classification of an options contract as either a put or a call.
- (70) The term "**uncovered**" means a short position in an options contract that is not covered.
- (71) The term "**underlying security**" means the security that the Clearing Corporation shall be obligated to sell (in the case of a

call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

Amended.

July 17, 2007.
April 7, 2008.
February 23, 2009.
August 18, 2009.
July 14, 2010.
July 24, 2010.
August 26, 2011.
May 14, 2012.

Sec. 2 Applicability

(a) These are the Rules of the Boston Stock Exchange applicable to the trading of options contracts issued by The Options Clearing Corporation on the Boston Stock Exchange through the Exchange's Boston Options Exchange Facility, BOX, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading on BOX.

(b) Except to the extent that specific BOX Rules govern or unless the context otherwise requires, the provisions of the Grandfathered Rules and BX By-laws shall be applicable to Options Participants and to the trading of option contracts on BOX and, for purposes of their application with respect to Options Participants and options trading, shall be interpreted in light of the nature of options trading and the BOX market, and the fact that options on BOX shall be traded electronically through the Trading Host. To the extent that the provisions of this Chapter are inconsistent with any other provisions of the Rules of the Exchange, this Chapter shall control.

(c) For the purposes of cross-referencing, interpreting and applying the Rules of the Exchange to the BOX Rules: 1) a reference to "members" of the Boston Stock Exchange shall be functionally equivalent to "Participants" in BOX, whether Order Flow Providers, BOX Market Makers, or both; and 2) a reference to "specialists", when referenced in the Rules of the Exchange shall be functionally equivalent to BOX Market Makers.

(d) For marketing and other purposes, the Boston Options Exchange Facility may be referred to as the "Boston Stock Exchange Options Exchange" or "Boston Options Exchange" or "BOX".

(e) These Rules generally require Options Participants conducting business with the public to comply with applicable requirements of the United States federal securities laws and regulations promulgated thereunder by the Securities and Exchange Commission. To the extent that certain aspects of the federal securities laws and regulations promulgated thereunder do not apply to non-U.S. firms conducting business with non-U.S. customers, these Rules shall be interpreted accordingly, so long as such interpretation is consistent with the maintenance of a fair and orderly options market. In such case, however, such non-U.S. Options Participants must comply with all reasonably comparable laws and regulations of their home countries or of the home countries of their customers, as applicable.

Amended.

May 14, 2012.

CHAPTER II. PARTICIPATION

Sec. 1 Options Participation

(a) These Rules establish a new category of Exchange participation called "Options Participant." Only Options Participants may transact business on BOX via the Trading Host. Options Participants may trade options for their own proprietary accounts or, if authorized to do so under applicable law, and consistent with these BOX Rules and with applicable law and SEC rules and regulations, may conduct business on behalf of Customers.

(b) A prospective Options Participant must:

- i. complete an application in the form prescribed by the Exchange (See BSE Rules Chapter I-B, Sections 4 through 6);
- ii. provide such other information as required by the Exchange;
- iii. satisfy the qualification requirements for Options Participant status specified in the Options Participant application; and
- iv. enter into an Options Participant Agreement in the form specified by the Exchange, agree to abide by the same as it has been or shall be from time to time amended, and pledge to abide by the, Rules of the Exchange, as amended from time to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Rules of the Exchange; except that existing Exchange Members, and their Member firms, shall automatically become Options Participants upon execution of an Options Participant Agreement and payment of the appropriate Options Participant application fee and other fees as the Exchange shall prescribe; and
- v. be under the supervision and control of a Responsible Person.

(c) Upon completion of the application, the Exchange, or person(s) designated by the Exchange ("designee") shall consider whether to approve the application, unless there is just cause for delay. In its consideration process, the Exchange may conduct such investigation as it deems appropriate and may take such steps as it deems necessary to confirm the information provided by the applicant. Within 30 days after the Exchange or its designee has completed its consideration of an application, it shall provide written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefore. (See Incorporated Constitution Provision, Article IX, Section 6, "Investigation and Acceptance by Exchange").

(d) These BOX Rules place no limit on the number of qualifying entities that may become Options Participants. However, based on system constraints or capacity restrictions, approval of qualifying applications for Options Participants may, in limited circumstances, be temporarily deferred. To the extent that the Board places limitations on otherwise qualified applicants to act as Options Participants, such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Act.

(e) Options Participant status does not confer on the Options Participant any right to participate in trading on the Exchange other than options trading on BOX via the Trading Host, nor shall Options Participants be entitled to all the rights and responsibilities regarding the governance of the Exchange as other Exchange Members. Rights and responsibilities of Options Participants are determined solely by the Rules of the Exchange and these BOX Rules.

(f) Options Participant status cannot be leased or transferred except in the event of a change in control or corporate reorganization involving an Options Participant. In such a case, Options Participant status may be transferred to a qualified affiliate or successor upon written notice to the Exchange or its designee.

(g) Every Options Participant shall file with BOXR and keep current an address where notices may be served, including current addresses of each Responsible Person, as specified in Paragraph (b)(v) of this Section 1.

(h) **Retention of Jurisdiction.** A Participant or an person associated with a Participant that has had its Participant status terminated or revoked shall continue to be subject to the filing of a complaint under the BX Bylaws, the BX Rules, the Grandfathered Rules and these Rules based upon conduct that commenced prior to the effective date of the Participants termination or revocation of its Participation. Any such complaint, however, shall be filed within two years after the effective date of resignation, cancellation, or revocation.

Amended.

October 1, 2007.

May 14, 2012.

Sec. 2 Qualification Requirements for Options Participation

(a) Options Participants may be corporations, partnerships, limited liability companies or sole proprietorships organized under the laws of a jurisdiction of the United States, or such other jurisdictions as the Exchange may approve.

(b) Options Participants must be registered as broker-dealers pursuant to Section 15 of the Exchange Act.

(c) Options Participants must be Clearing Participants or establish a clearing arrangement with a Clearing Participant.

(d) Options Participants must meet the capital requirements of the Exchange or Rule 15c3-1 of the Exchange Act, whichever is greater, and shall further comply with the additional requirements of Sections 1 and 2 of Chapter XXII of the Rules of the Board of Governors of the Boston Stock Exchange, Inc. ("BSE Rules"). (See, Chapter XXII, "Financial Reports and Requirements", Sections 1 and 2, generally). (All cross references to the BSE Rules hereinafter will be referred to as such).

(e) Options Participants must have demonstrated ability to adhere to all applicable Exchange, SEC, the Clearing Corporation and Federal Reserve Board policies, rules and regulations, including those concerning record-keeping, reporting, finance and trading procedures and be able to satisfactorily demonstrate reasonably adequate systems capability and capacity. (See BSE Rules Chapter XXII, "Financial Reports and Requirements", Sections 1 and 2, generally; Chapter II, "Dealings on the Exchange", Sections 15, "Record of Orders from Offices to Floor", and 36 "Specialist Member Organizations Affiliated with an Approved Person").

(f) All associated persons of Options Participants who are not themselves Responsible Persons must be under the supervision of a U.S.-based Responsible Person.

(g) A Participant that does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the Commission, BOXR and

the Exchange must:

- i. prepare all such reports, and maintain a general ledger chart of account and any description thereof, in English and U.S. dollars;
- ii. reimburse the Exchange and/or BOXR for any expense incurred in connection with examinations of the Participant to the extent that such expenses exceed the cost of examining a Participant located within the continental United States; and
- iii. ensure the availability of an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of the Exchange during examinations.

(h) Every Participant shall have as the principal purpose of being a Participant the conduct of a securities business. Such a purpose shall be deemed to exist if and so long as:

- i. the Participant has qualified and acts in respect of its business on BOX as either an OFP or a Market Maker, or both; and
- ii. all transactions effected by the Participant are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted thereunder.

Sec. 3 Denial of and Conditions to Participation

(a) The Exchange may deny (or condition) Options Participation or may prevent a person from becoming associated (or condition an association) with an Options Participant for any valid reason under these or other applicable rules and for the same reasons that the SEC may deny or revoke a broker-dealer registration and for those reasons required or allowed under the Exchange Act or Rules thereunder. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", Section 4, "Exchange May Disapprove").

(b) The Exchange also may deny (or condition) participation or may prevent a person from becoming associated with (or condition an association) with a Participant when the applicant, directly or indirectly:

- i. has a negative net worth, has financial difficulties involving an amount that is more than five percent (5%) of the applicant's net worth, or has a pattern of failure to pay just debts (whether or not such debts have been the subject of a bankruptcy action);
- ii. is unable satisfactorily to demonstrate a capacity to adhere to all applicable Exchange, SEC, the Clearing Corporation and Federal Reserve Board policies, rules and regulations, including those concerning record-keeping, reporting, finance and trading procedures; or
- iii. is unable satisfactorily to demonstrate reasonably adequate systems capability and capacity.

(c) When an applicant is a subject of an investigation conducted by any SRO or government agency implicating his or its fitness for options participation, the Exchange need not act on the application until the matter has been resolved.

(d) The Exchange may determine not to permit an Options Participant or person associated with a Participant to continue as a Participant or associated person, if the Participant or associated person:

- i. fails to meet any of the qualification requirements for participation or association after the Participant or association has been approved;
- ii. fails to meet any condition placed by the Exchange on such participation or association;
- iii. violates any agreement with the Exchange or BOX; or
- iv. becomes subject to a statutory disqualification under the Exchange Act or Rules thereunder.

(e) If a Participant or person associated with a Participant that becomes subject to a statutory disqualification under the Exchange Act or Rules thereunder wants to continue as a Participant of BOX or in association with a Participant, the Participant or associated person must, within thirty (30) days of becoming subject to a statutory disqualification, submit an application to the Exchange seeking to continue as a Participant or in association with a Participant notwithstanding the statutory disqualification. Failure to timely file such an application is a factor that may be taken into consideration by the Exchange in making determinations pursuant to paragraph (d) of this Section.

Amended.

May 14, 2012.

Sec. 4 Persons Associated with Options Participants

(a) Persons associated with Options Participants shall be bound by the Rules of the Exchange and the Rules of the Clearing Corporation. The Exchange may bar a person from becoming or continuing to be associated with an Options Participant if such person does not agree in writing, on a form prescribed by the Exchange, to furnish the Exchange with information with respect to such person's relationship and dealings with the Options Participant, and information reasonably related to such person's other securities business, as may be required by the Exchange, and to permit the examination of its books and records by the Exchange to verify the accuracy of any information so supplied. (See Constitution Article XIV, "Expulsion and Suspension", Section 6, "Exchange Inquiries").

(b) Each Options Participant shall file with the Exchange and keep current a list and descriptive identification of those persons associated with the Options Participant who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform application for Securities Industry Registration or Transfer (Form U-4). (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", Sections 1 and 2, generally. See also BSE Rules Chapter I-B, Sections 4 through 6.).

Amended.

October 1, 2007.

Sec. 5 Good Standing for Options Participants

- (a) To remain in good standing, all Options Participants must:

- i. continue to satisfy the qualification requirements specified by the Exchange, as amended from time to time by the Exchange;
- ii. comply with the Rules of the Exchange; and
- iii. pay on a timely basis such participation, transaction and other fees as the Exchange and/or BOX shall prescribe.

(b) The good standing of an Options Participant may be suspended, terminated or otherwise withdrawn, as provided in the Rules, if any of the conditions for denial of approval of Section 3 of this Chapter II are met or the Options Participant violates any of its agreements with the Exchange and/or BOX or any of the provisions of the BOX Rules.

(c) Unless an Options Participant is in good standing, the Participant shall have no rights or privileges of options participation except as otherwise provided by law or the Rules, shall not hold himself or itself out for any purpose as a Participant, and shall not deal with the Exchange and/or BOX on any basis except as a non-Participant.

Sec. 6 Dissolution and Liquidation of Options Participants

Reserved.

Amended.

May 14, 2012.

Sec. 7 Documents Required of Applicants and Options Participants

(a) Although the Exchange may request additional information, at a minimum, the partnership agreement and all amendments thereto, in the case of a partnership, the articles of incorporation, by-laws and all amendments thereto, in the case of a corporation, and in the case of a limited liability company, the articles of organization and operating agreement and all amendments thereto, and any lease agreement to which an Options Participant is subject, shall be filed with, and shall be subject to review by, the Exchange; however, no action or failure to act by the Exchange shall be construed to mean that the Exchange has in any way passed on the investment merits of or given approval to any such document.

(b) Every Options Participant shall file with the Exchange and keep current an address where notices may be served.

(c) In a manner and form prescribed by the Exchange, every Options Participant shall pledge to abide by the Constitution and Rules of the Exchange, as amended from time to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Constitution and Rules of the Exchange.

(d) Options Participant shall keep and maintain a current copy of the Constitution and Rules of the Exchange in a readily accessible place. Options Participants that are approved to do business with the public pursuant to Chapter XI of these Rules shall make the Constitution and Rules of the Exchange available for examination by Public Customers.

CHAPTER III. BUSINESS CONDUCT

Sec. 1 Adherence to Law

No Options Participant shall engage in conduct in violation of the Exchange Act or Rules thereunder, the Rules of the Exchange or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Options Participant shall supervise persons associated with the Participant to assure compliance therewith.

Sec. 2 Conduct and Compliance with the Rules

(a) Each Options Participant shall be responsible for ensuring that all arrangements made and systems used in connection with business conducted on BOX, and the transaction of such business itself, comply with the Options Participant's and associated persons' obligations under the Rules of the Exchange, the Rules of the Clearing Corporation and any other relevant laws, rules, interpretations and obligations. In accordance with the BOX Rules and in connection with business conducted on BOX, each Options Participant shall:

- i. have adequate arrangements to ensure that all staff involved in the conduct of business on BOX are suitable, adequately trained and properly supervised;
- ii. be responsible for the acts and conduct of each associated person,
- iii. establish its trading arrangements such that each Participant is able to meet the requirements set out in Section 1 of this Chapter and that all other relevant obligations contained in the Rules are complied with;
- iv. implement suitable security measures such that only those individuals explicitly authorized by the Options Participant to trade may gain access to passwords and security keys; and
- v. ensure that any trading access granted to individuals (whether employees of the Options Participant or otherwise), for example by way of order routing systems, is adequately controlled and supervised, including appropriate checks before any orders are submitted to the Trading Host.

Sec. 3 Rumors

No Options Participant or person associated with an Options Participant shall circulate, in any manner, rumors of a character which might affect market conditions in any security; provided, however, that this Section shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 27, "Anti-Manipulative Provisions").

Sec. 4 Prevention of the Misuse of Material Nonpublic Information

(a) Every Options Participant shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of the Participant's business, to prevent the misuse of material nonpublic information by such Participant or persons associated with such Participant in violation of the federal securities laws or the Rules thereunder, and the Rules of the Exchange. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 37, "ITSFEA Procedures").

(b) Misuse of material nonpublic information includes, but is not limited to:

- i. trading in any securities issued by a corporation, partnership, or Funds, as defined in Section 3 of Chapter IV of these Rules, or a trust or similar entities, or in any related securities or related options or other derivative securities, or in any related non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, while in possession of material nonpublic information concerning that corporation, partnership, or Fund or a trust or similar entity;
- ii. trading in an underlying security or related options or other derivative securities, or in any related non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, or any other derivatives based on such currency, while in possession of material nonpublic information concerning imminent transactions in the above; and
- iii. disclosing to another person any material nonpublic information involving a corporation, partnership, or Fund or a trust or similar entity whose shares are publicly traded or disclosing an imminent transaction in an underlying security or related securities or in the underlying non-U.S. currency or any related non-U.S. currency options, futures or options on futures on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, or any other derivatives based on such currency for the purpose of facilitating the possible misuse of such material nonpublic information.

(c) Each Options Participant shall establish, maintain and enforce the following policies and procedures as appropriate for the nature of each Participant's business:

- i. All associated persons must be advised in writing of the prohibition against the misuse of material nonpublic information.
- ii. Signed attestations from the Participant and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least three (3) years, the first two (2) years in an easily accessible place.
- iii. Records of all brokerage accounts maintained by the Participant and all associated persons must be acquired and maintained for at least three (3) years, the first two (2) years in an easily accessible place, and such brokerage accounts must be reviewed periodically by the Participant for the purpose of detecting the possible misuse of material nonpublic information.
- iv. Any business dealings the Participant may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Participant receiving, in the ordinary course of business, material nonpublic information concerning any such corporation, must be identified and documented.

(d) Participants that are required, pursuant to BSE Rules, Chapter XII (Financial Reports and Requirements - Net Capital), to file Form X-17A-5 under the Exchange Act or Rules thereunder, with the

Exchange on an annual basis only, shall, contemporaneously with those submissions, file attestations signed by such Participants stating that the procedures mandated by this Section have been established, enforced and maintained.

(e) Any Options Participant or associated person who becomes aware of any possible misuse of material nonpublic information must promptly notify BOXR.

(f) It may be considered conduct inconsistent with just and equitable principles of trade for any Participant or person associated with a Participant who has knowledge of all material terms and conditions of:

- (i) an order and a solicited order,
 - (ii) an order being facilitated or submitted to the Price Improvement Period,
- or
- (iii) orders being crossed;

the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until (a) the terms and conditions of the order and any changes in the terms and conditions of the order of which the Participant or person associated with the Participant has knowledge are disclosed to the trading crowd, or (b) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received. The terms of an order are "disclosed" to the trading crowd on BOX when the order is entered into the BOX Book, the Price Improvement Period, as defined in Chapter V, Section 18 of these Rules, or Facilitation or Solicitation Auctions, as defined in Chapter V, Section 31 of these Rules. For purposes of this Paragraph (f), an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising 10% or more of the component securities in the index or an order to buy or sell a futures contract on an economically equivalent index.

Amended.

February 2, 2004.

July 7, 2008.

September 23, 2011.

Sec. 5 Disciplinary Action by Other Organizations

Every Options Participant shall promptly notify BOXR in writing of any disciplinary action, including the basis therefore, taken by any national securities exchange or registered securities association, clearing corporation, commodity futures market or government regulatory body against the Options Participant or its associated persons who are directly involved in derivatives trading, and shall similarly notify BOXR of any disciplinary action taken by the Options Participant itself against any of its associated persons who are directly involved in derivatives trading involving suspension, termination, the withholding of commissions or imposition of fines in excess of \$2,500, or any other significant limitation on activities.

Sec. 6 Other Restrictions on Participants

Reserved.

Amended.

May 14, 2012.

Sec. 7 Position Limits

(a) Except with the prior permission of an Options Official or his designee, to be confirmed in writing, no Options Participant shall make, for any account in which it has an interest or for the account of any Customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its Customer would, acting alone or in concert with others, directly or indirectly:

- i. control (as defined in paragraph (e) below) an aggregate position in an options contract traded on BOX in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 options contracts (whether long or short) of the put type and the call type on the same side of the market respecting the same underlying security, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other number of options contracts as may be fixed from time to time by BOX as the position limit for one or more classes or series of options; or
- ii. exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on BOX, when the Options Participant is not a member of the other exchange on which the transaction was effected.

(b) Should an Options Participant have reason to believe that a position in any account in which it has an interest or for the account of any Customer of such Options Participant is in excess of the applicable limit, such Options Participant shall promptly take the action necessary to bring the position into compliance.

(c) Reasonable notice shall be given of each new position limit fixed by the Exchange. Limits shall be determined in the following manner:

- i. A 25,000 option contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit.
- ii. To be eligible for the 50,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least twenty (20) million shares, or the most recent six (6) month trading volume of the underlying security must have totaled at least fifteen (15) million shares and the underlying security must have at least forty (40) million shares currently outstanding.
- iii. To be eligible for the 75,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least forty (40) million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least thirty (30) million shares and the underlying security must have at least 120 million shares currently outstanding.
- iv. To be eligible for the 200,000 option contract limit, either the most recent

six (6) month trading volume of the underlying security must have totaled at least eighty (80) million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least sixty (60) million shares and the underlying security must have at least 240 million shares currently outstanding.

- v. To be eligible for the 250,000 option contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

(d) Every six (6) months, BOXR will review the status of underlying securities to determine which position limit should apply. A higher limit will be effective on the date set by BOXR, while any change to a lower limit will take effect after the last expiration then trading, unless the requirement for the same or a higher limit is met at the time of the intervening six (6) month review. If, however, subsequent to a six (6) month review, an increase in volume and/or outstanding shares would make a stock eligible for a higher position limit prior to the next review, BOXR in its discretion may immediately increase such position limit.

(e) Control exists under this Section 7 when it is determined by BOXR that an individual or entity makes investment decisions for an account or accounts, or materially influences directly or indirectly the actions of any person who makes investment decisions.

- i. Control will be presumed in the following circumstances, and will be presumed to continue until determined otherwise pursuant to paragraph (e)(ii) below:
 - 1) among all parties to a joint account who have authority to act on behalf of the account;
 - 2) among all general partners to a partnership account;
 - 3) when an individual or entity holds an ownership interest of ten percent (10%) or more in an entity (ownership interest of less than ten percent (10%) will not preclude aggregation), or shares in ten percent (10%) or more of profits and losses of an account;
 - 4) when accounts have common directors or management;
 - 5) where a person has the authority to execute transactions in an account.
- ii. Control, presumed by one or more of the above findings or circumstances, can be rebutted by proving to BOXR that the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other documentary evidence as may be appropriate in the circumstances. BOXR also will consider the following factors in determining if aggregation of accounts is required:
 - 1) similar patterns of trading activity among separate entities;
 - 2) the sharing of kindred business purposes and interests;
 - 3) whether there is common supervision of the entities which extends beyond assuring adherence to each entity's investment objectives and/or

restrictions.

- iii. Initial determinations under this paragraph (e) shall be made by the staff of the Market Regulation Center. The initial determination may be reviewed by an Options Official or his designee, based upon a report by the MRC. An Options Participant or Customer directly affected by such a determination may ask an Options Official or his designee to reconsider, but may not request any other review or appeal except in the context of a disciplinary proceeding. The decision to grant non-aggregation under this paragraph (e) shall not be retroactive.

(See BSE Rules Chapter I, "Definitions", Section 2, "Member, etc.")

Supplementary Material to Section 7

.01 Whenever the Exchange determines that a higher margin requirement is warranted in light of the risks associated with an under-hedged options position, the Exchange may impose additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Chapter VII of the Rules of the Exchange (Carrying of Accounts- Customers' Securities- Give-up Orders). The Clearing Participant carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

.02 The position limits under this section applicable to options on shares or other securities that represent interest in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Section 3 of Chapter IV of these Rules shall be the same as the position limits applicable to equity options under this Section 7, and any Supplemental Material thereunder, except that the position limits under this section applicable to option contracts on the securities listed in the below chart are as follows:

Security Underlying Option	Position Limit
The DIAMONDS Trust (DIA)	300,000 contracts
The Standard and Poor's Depository Receipts Trust (SPY)	900,000 contracts
The iShares Russell 2000 Index Fund (IWM)	500,000 contracts
The PowerShares QQQ Trust (QQQQ)	900,000 contracts

Amended.
January 21, 2005.

March 3, 2005.
August 15, 2005.
February 22, 2006.
August 30, 2006.
January 25, 2007.
January 31, 2007.
July 3, 2007.
August 15, 2007.
January 16, 2008.
March 3, 2008.
March 18, 2008.
July 13, 2011.

Sec. 8 Exemptions from Position Limits

(a) *Equity Hedge Exemption.* The following qualified hedging transactions and positions described in paragraphs (i) through (v) below shall be exempt from established position and exercise limits as prescribed under Section 7(c) of this Chapter III (Position Limits) above. The equity hedge exemption is in addition to the standard limit and other exemptions available under BOX Rules. Hedge transactions and positions established pursuant to paragraphs (vi) and (vii) below are subject to a position limit equal to five (5) times the standard limit established under Section 7(c) of this Chapter III (Position Limits) above:

- i. Where each option contract is "hedged" or "covered" by 100 shares of the underlying security or securities convertible into such underlying security, or, in the case of an adjusted option contract, the same number of shares represented by the adjusted contract: (1) long call and short stock; (2) short call and long stock; (3) long put and long stock; (4) short put and short stock.
- ii. A long call position accompanied by a short put position, where the long call expires with the short put, and the strike price of the long call and short put is equal, and where each long call and short put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock ("reverse conversion").
- iii. A short call position accompanied by a long put position where the short call expires with the long put, and the strike prices of the short call and long put are equal, and where each short call and long put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock ("conversion").
- iv. A short call position accompanied by a long put position where the short call expires with the long put, and the strike price of the short call equals or exceeds the strike price of the long put, and where each short call and long put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the short call, long put position can be in-the-money at the time the position is established ("collar").
- v. A long call position accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long call and short put position is hedged with 100

shares of the underlying security (or other adjusted number of shares). Neither side of the long call, short put position can be in-the-money at the time the position is established ("reverse collar").

- vi. A long call position accompanied by a short put position with the same strike prices and a short call position accompanied by a long put position with a different strike prices ("box spread").
- vii. A listed option position hedged on a one-for-one basis with an over-the-counter ("OTC") option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.
- viii. For those strategies described under (ii), (iii), (iv), and (v) above, one component of the option strategy can be an OTC option contract guaranteed or endorsed by the firm maintaining the proprietary position or carrying the Customer account.
- ix. An OTC option contract is defined as an option contract that is not listed on a national securities exchange or cleared at the Options Clearing Corporation.

(b) *Delta-Based Equity Hedge Exemption.* The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under BOX Rules, interpretations, and policies. An equity option position of a Participant or non-Participant affiliate of a Participant that is delta neutral shall be exempt from established position limits as prescribed under Section 7(c) of this Chapter III (Position Limits) above, subject to the following:

- (i) The term "delta neutral" refers to an equity option position that is hedged, in accordance with a permitted pricing model, by a position in the underlying security or one or more instruments relating to the underlying security, for the purpose of offsetting the risk that the value of the option position will change with incremental changes in the price of the security underlying the option position.
- (ii) An equity option position that is not delta neutral shall be subject to position limits in accordance with Section 7(c) of this Chapter III (Position Limits), subject to the availability of other position limit exemptions. Only the option contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The "options contract equivalent of the net delta" is the net delta divided by the number of shares underlying the option contract. The term "net delta" means, at any time, the number of shares (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.
- (iii) A "permitted pricing model" means –
 - 1) A pricing model maintained and operated by the Clearing Corporation ("OCC Model");

- 2) A pricing model maintained and used by a Participant subject to consolidated supervision by the Commission pursuant to Appendix E of Commission Rule 15c3-1, or by an affiliate that is part of such Participant's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with the requirements of Appendices E or G, as applicable, to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital or capital allowances for market risk thereunder, provided that the Participant or affiliate of a Participant relying on this exemption in connection with the use of such model is an entity that is part of such Participant's consolidated supervised holding company group;
- 3) A pricing model maintained and used by a financial holding company or a company treated as a financial holding company under the Bank Holding Company Act of 1956, or by an affiliate that is part of either such company's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with:
 - (a) the requirements of the Board of Governors of the Federal Reserve System, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Board of Governors of the Federal Reserve System, provided that the Participant or affiliate of a Participant relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group; or
 - (b) the standards published by the Basel Committee on Banking Supervision, as amended from time to time and as implemented by such company's principal regulator, in connection with the calculation of risk-based deductions or adjustments to or allowances for the market risk capital requirements of such principal regulator applicable to such company - where "principal regulator" means a member of the Basel Committee on Banking Supervision that is the home country consolidated supervisor of such company - provided that the Participant or affiliate of a Participant relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group;
- 4) A pricing model maintained and used by an OTC derivatives dealer registered with the SEC pursuant to SEC Rule 15c3-1(a)(5) in accordance with its internal risk management control system and consistent with the requirements of Appendix F to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital for market risk thereunder, provided that only such OTC derivatives dealer and no other affiliated entity (including a Participant) may rely on this subparagraph (b)(iii)(4); or
- 5) A pricing model used by a national bank under the National Bank Act maintained and used in accordance with its internal risk management control system and consistent with the requirements of the Office of the Comptroller of the Currency, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Office of the Comptroller of the Currency,

provided that only such national bank and no other affiliated entity (including a Participant) may rely on this subparagraph (iii)(5).

(iv) Effect on Aggregation of Accounts

- 1) Participants and non-Participant affiliates who rely on this exemption must ensure that the permitted pricing model is applied to all positions in or relating to the security underlying the relevant option position that are owned or controlled by such Participant or non-Participant affiliate.
- 2) Notwithstanding subparagraph (iv)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in or relating to the security underlying the option position held by an affiliated entity or by another trading unit within the same entity, provided that:
 - (a) the entity demonstrates to BOXR's satisfaction that no control relationship, as defined in Section 7(e) of this Chapter III, exists between such affiliates or trading units*; and
 - (b) the entity has provided BOXR written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

* Note: BOXR has set forth in Regulatory Circular 2008-03 the conditions under which it will deem no control relationship to exist between affiliates and between separate and distinct trading units within the same entity.

- 3) Notwithstanding subparagraph (iv)(1) or (iv)(2), a Participant or non-Participant affiliate who relies on this exemption shall designate, by prior written notice to BOXR, each trading unit or entity whose option positions are required under BOX Rules to be aggregated with the option positions of such Participant or non-Participant affiliate that is relying on this exemption for purposes of compliance with BOX position limits or exercise limits. In any such case:
 - (a) the permitted pricing model shall be applied, for purposes of calculating such Participant's or affiliate's net delta, only to the positions in or relating to the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption; and
 - (b) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under BOX Rules to be aggregated with the option positions of such Participant or affiliate.

(v) Obligations of Participants and Affiliates

- 1) A Participant that relies on this exemption for a proprietary equity options position:

- (a) must provide a written certification to BOXR that it is using a permitted pricing model pursuant to subparagraph (iii) above; and
 - (b) by such reliance authorizes any other person carrying for such Participant an account including, or with whom such Participant has entered into, a position in or relating to a security underlying the relevant option position to provide to BOXR or the Clearing Corporation such information regarding such account or position as BOXR or Clearing Corporation may request as part of BOXR's confirmation or verification of the accuracy of any net delta calculation under this exemption.
- 2) The equity option positions of a non-Participant relying on this exemption must be carried by a Participant with which it is affiliated.
- 3 A Participant carrying an account that includes an equity option position for a non-Participant affiliate that intends to rely on this exemption must obtain from such non-Participant:
- (a) a written certification to BOXR that it is using a permitted pricing model pursuant to subparagraph (iii) above; and
 - (b) a written statement confirming that such non-Participant affiliate:
 - 1. is relying on this exemption;
 - 2. will use only a permitted pricing model for purposes of calculating the net delta of its option positions for purposes of this exemption;
 - 3. will promptly notify the Participant if it ceases to rely on this exemption;
 - 4. authorizes the Participant to provide to BOXR or the Clearing Corporation such information regarding positions of the non-Participant affiliate as BOXR or Clearing Corporation may request as part of BOXR's confirmation or verification of the accuracy of any net delta calculation under this exemption; and
 - 5. if the non-Participant affiliate is using the OCC Model, has duly executed and delivered to BOXR such documents as BOXR may require to be executed and delivered to BOXR as a condition to reliance on this exemption.

(vi) Reporting

- 1) Each Participant that holds or carries an account that relies on this exemption shall report, in accordance with Section 10 of this Chapter III, all equity option positions (including those that are delta neutral) that are reportable thereunder. Each such Participant on its own behalf or on behalf of a designated aggregation unit pursuant to Section 8(b)(iv) above shall also report, in accordance with Section 10 of this Chapter, for each such account that holds an equity option position subject to this exemption in excess of the levels specified in Section 7 of this Chapter, the net delta and the options contract equivalent of the net delta of such position.

(vii) Records

- 1) Each Participant relying on this exemption shall: (i) retain, and undertake reasonable efforts to ensure that any non-Participant affiliate of the Participant relying on this exemption retains a list of the options, securities and other instruments underlying each option position net delta calculation reported to BOXR hereunder, and (ii) produce such information to BOXR upon request.

(c) *Market Maker Exemption.* The provisions set forth below apply only to Market Makers seeking an exemption to the standard position limits in all options traded on BOX for the purpose of assuring that there is sufficient depth and liquidity in the marketplace, and not for the purpose of conferring a right upon the Market Maker applying for an exemption.

- i. In light of the procedural safeguards, the purpose of this exemption process, and the prohibition against the granting of retroactive exemptions, decisions granting or denying exemptions are not subject to review under BX Rules 9000 Series regarding Hearings and Review.
- ii. An exemption may be granted for the purpose of maintaining a fair and orderly market in the options on a given underlying security.
- iii. Generally, an exemption will be granted only to a Market Maker who has requested an exemption, who is appointed to the options class in which the exemption is requested pursuant to Chapter VI Section 4 of these Rules (Appointment of Market Makers), whose positions are near the current position limit and who is significant in terms of daily volume. The positions must generally be within ten percent (10%) of the limits contained in Section 7 of this Chapter III (Position Limits) for equity options and twenty percent (20%) of those limits for broad-based index options.
- iv. If an exemption is granted, it will be effective at the time the decision is communicated, and retroactive exemptions will not be granted.
- v. The size and length of an exemption will be determined on a case by case basis; however, an exemption usually will be granted until the nearest expiration. The exemption may specify the extent to which the resulting position may be carried in options in one or more expiration cycles.
- vi. Procedures for Market Makers nearing the limits due to general market conditions:
 - 1) A request for an exemption from the established position and exercise limits must be in writing and must state the specific reasons why an exemption should be granted.
 - 2) The request should be submitted to BOXR no later than 1:00 p.m. for same-day review.
 - 3) Review of the request will be conducted informally, *i.e.*, BOXR may receive information in such manner as is most effective, in its discretion, to ascertain whether an exemption is necessary to

maintain depth and liquidity in the market.

- 4) BOXR will communicate the exemption decision to the requesting Market Maker and his or its Clearing Participant as soon as possible, generally on the day following review.
- 5) Requests for instant exemptions may be made for extraordinary situations, such as when there is an order imbalance or a Market Maker is near the limits intraday. Following immediate review of the situation, BOXR will decide whether an exemption is warranted.

(d) *Firm Facilitation Exemption.* To the extent that the following procedures and criteria are satisfied, an Options Participant may receive and maintain for its proprietary account an exemption ("facilitation exemption") from the applicable standard position limit in non-multiply-listed options traded on BOX for the purpose of facilitating (i) orders for its own Public Customer (one that will have the resulting position carried with the firm) or (ii) orders received from or on behalf of a Public Customer for execution only against the Participant firm's proprietary account.

- i. The Options Participant must receive approval from BOXR prior to executing facilitating trades.
- ii. The facilitation exemption shall be granted to the Options Participant owning or controlling the account in which the exempt options positions are held. For purposes of this paragraph (d), control shall be determined in accordance with the provision of Section 7 of this Chapter III (Position Limits).
- iii. BOXR approval may be given on the basis of verbal representations; however, the Options Participant must, within a period of time to be designated by BOXR, furnish the appropriate forms and documentation substantiating the basis for the exemption. The approval of the facilitation exemption will specify the maximum number of contracts that may be exempt under this paragraph (d). In no event may the aggregate exempted position under this paragraph (d) exceed twice the applicable standard limit.
- iv. The facilitation exemption is in addition to the standard limit and other exemptions available under BOX Rules. An Options Participant so approved is hereinafter referred to as a "facilitation firm."
- v. The facilitation firm must provide all information required by BOX on approved forms and keep such information current. The facilitation firm shall promptly provide to BOX any information or documents requested concerning the exempted options positions and the positions hedging them.
- vi. Regarding the execution of its Public Customer Order and its own facilitating order, a facilitation firm shall make neither order contingent on "fill or kill" instructions.
- vii. To remain qualified, a facilitation firm must, within five (5) business days after the execution of a facilitation exemption order, hedge all exempt options positions that have not previously been liquidated, and furnish BOX with documentation reflecting the resulting hedging positions.

- viii. The facilitation firm shall:
- 1) liquidate and establish its Public Customer's and its own options and stock positions or their equivalent in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate its Public Customer's or its own stock position or its equivalent with an equivalent index options position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option;
 - 2) promptly notify BOX of any material change in the exempted options position or the hedge; and
 - 3) not increase the exempted options position once it is closed unless approval is received again pursuant to a reapplication under this paragraph (d).
- ix. Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the facilitation exemption and may form the basis for subsequent denial of an application for a facilitation exemption hereunder.

(e) *Exemptions Granted by Other Exchanges.* An Options Participant may rely upon any available exemptions from applicable position limits granted from time to time by another options exchange for any options contract traded on BOX provided that such Options Participant:

- i. provides BOXR with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for the Exchange to verify the validity of that exemption with the issuing options exchange, and
- ii. fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to the Options Participant's trading on BOX.

Amended.

March 3, 2005.
August 31, 2006.
February 21, 2008
March 3, 2008
December 1, 2009.
May 14, 2012.

Sec. 9 Exercise Limits

(a) Except with the prior permission of an Options Official or his designee, to be confirmed in writing, no Options Participant shall exercise, for any account in which it has an interest or for the account of any Customer, a long position in any options contract where such Options Participant or Customer, acting alone or in concert with others, directly or indirectly, has or will have:

- i. exercised within any five (5) consecutive business days aggregate long positions in any class of options traded on BOX in excess of 25,000 or 50,000 or 75,000 or

200,000 or 250,000 options contracts or such other number of options contract as may be fixed from time to time by BOX as the exercise limit for that class of options; or

- ii. exceeded the applicable exercise limit fixed from time to time by another exchange for an options class not traded on BOX, when the Participant is not a member of the other exchange which lists the options class.

(b) Reasonable notice shall be given of each new exercise limit fixed by BOXR by posting notice thereof by BOXR.

(c) Limits shall be determined in the manner described in Section 7 (Position Limits). For an Options Participant that has been granted an exemption to position limits pursuant to Section 8 of this Chapter III (Exemption to Position Limits), the number of contracts which can be exercised over a five (5) business day period shall equal the Options Participant's exempted position.

● ● ● *Supplementary Material: ...*

.01 The exercise limits established under Section 9 of this Chapter III, in respect to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Section 3 of Chapter IV of these Rules shall be equivalent to the position limits prescribed for such options in Supplemental Material .02 to Section 7 of this Chapter III, subject to any exemptions granted in respect to such position limits.

Amended.

January 21, 2005.

March 3, 2005.

March 3, 2008

December 1, 2009.

Sec. 10 Reports Related to Position Limits

(a) Each Options Participant shall file with the Exchange the name, address and social security or tax identification number of any Customer, as well as any Options Participant, any general or special partner of the Options Participant, any officer or director of the Options Participant or any participant, as such, in any joint, group or syndicate account with the Options Participant or with any partner, officer or director thereof, who, on the previous business day held aggregate long or short positions of 200 or more options contracts of any single class of options traded on BOX. The report shall indicate for each such class of options contracts the number of options contracts comprising each such position and, in case of short positions, whether covered or uncovered.

(b) Options Participants that maintain an end of day position in excess of 10,000 non-FLEX equity options contracts on the same side of the market on behalf of its own account or for the account of a Customer, shall report whether such position is hedged and provide documentation as to how such position is hedged. This report is required at the time the subject account exceeds the 10,000 contract threshold and thereafter, for Customer accounts, when the position increases by 2,500 contracts and for proprietary accounts when the position increases by 5,000 contracts.

(c) In addition to the reports required by paragraph (a) and (b) of this Section, each Options Participant shall report promptly to BOX any instance in which the Options Participant has reason to believe that a person included in paragraph (a), acting alone or in concert with others, has exceeded or is

attempting to exceed the position limits established pursuant to Section 7 of this Chapter III (Position Limits).

Supplementary Material to Section 10

.01 For purposes of calculating the aggregate long or short position under paragraph (a) above, Options Participants shall combine (i) long positions in put options with short positions in call options, and (ii) short positions in put options with long positions in call options.

Amended.

December 1, 2009.

Sec. 11 Liquidation Positions

(a) Whenever BOX shall find that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all options contracts or one or more classes or series traded on BOX in excess of the applicable position limit established pursuant to Section 7 of this Chapter III (Position Limits), it may order all Options Participants carrying a position in options contracts of such classes or series for such person or persons to liquidate such positions as expeditiously as possible, consistent with the maintenance of a fair and orderly market.

(b) Whenever such an order is given, no Options Participant shall accept any order to purchase, sell or exercise any options contract for the account of the person or persons named in the order, unless and until BOX expressly approves such person or persons for options transactions.

Sec. 12 Other Restrictions on Options Transactions and Exercises

(a) BOXR may impose such restrictions on transactions or exercises in one or more series of options of any class traded on BOX as BOXR in its judgment deems advisable in the interests of maintaining a fair and orderly market in options contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors.

- i. During the effectiveness of such restrictions, no Options Participant shall, for any account in which it has an interest or for the account of any Customer, engage in any transaction or exercise in contravention of such restrictions.
- ii. Notwithstanding the foregoing, during the ten (10) business days prior to the expiration date of a given series of options, other than index options, no restriction on exercise under this Section may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the last business day before the expiration date.
- iii. Exercises of American-style, cash-settled index options shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:

- 1) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the Rules of the Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by BOXR, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension;
- 2) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration;
- 3) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 4:00 p.m. Eastern time. In the event of such a trading halt, exercises may occur through 4:20 p.m. Eastern time. In addition, if trading resumes following such a trading halt pursuant to the procedure described in Section 9 of Chapter V of these Rules (Opening the Market), exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph (a)(iii)(3) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to paragraph (a) of this Rule; and
- 4) The Options Official may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

(b) Whenever the issuer of a security underlying a call option traded on BOX is engaged or proposes to engage in a public underwritten distribution ("public distribution") of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that BOXR impose restrictions upon all opening writing transactions in such options at a "discount" where the resulting short position will be uncovered ("uncovered opening writing transactions").

- i. In addition to a request, the following conditions are necessary for the imposition of restrictions:
 - 1) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;
 - 2) the underwriters agree to notify BOXR upon the termination of their stabilization activities; and
 - 3) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a "minus" or "zero minus" tick.

- ii. Upon receipt of such a request and determination that the conditions listed above are met, BOXR shall impose the requested restrictions as promptly as possible but no earlier than fifteen (15) minutes after Participants shall have been notified and shall terminate such restrictions upon request of the underwriters or when BOXR otherwise discovers that stabilizing transactions by the underwriters has been terminated.
- iii. For purposes of paragraph (b) of this Section 12, an uncovered opening writing transaction in a call option will be deemed to be effected at a "discount" when the premium in such transaction is either:
 - 1) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters' stabilization bid for the underlying security exceeds the exercise price of such option; or
 - 2) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters' stabilization bid in the underlying security at the subscription price exceeds the exercise price of such option.

Amended.

August 31, 2006.

Sec. 13 Mandatory Systems Testing

(a) Each Options Participant that BOXR designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Exchange's systems in the manner and frequency prescribed by the Exchange. BOXR will designate Options Participants as required to participate in a system test based on: (1) the category of the Participant (Market Maker and OFP); (2) the computer system(s) the Participant uses; and (3) the manner in which the Participant connects to the Exchange. BOXR will give Participants reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Participants' obligations in participating in the test.

(b) Every Options Participant required by BOXR to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to the testing as the Exchange may prescribe. Participants shall maintain adequate documentation of tests required by this Section 13 and results of such testing for examination by the Exchange.

(c) An Options Participant that is subject to this Section 13 and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to action taken pursuant to a disciplinary action pursuant to BX Rules 9000 Series.

Amended.

May 14, 2012.

Sec. 14 Limit on Outstanding Uncovered Short Positions

(a) Whenever it is determined from the reports of uncovered short positions submitted pursuant to Section 2 of Chapter VIII of these Rules (Reports of Uncovered Short Positions), viewed in light of current market conditions in options and in underlying securities, that there are outstanding an excessive number of uncovered short positions in options contracts of a given class traded on BOX or that an excessively high percentage of outstanding short positions in options contracts of a given class traded on BOX are uncovered, the Options Official may determine to prohibit Options Participants from any further opening writing transactions on any exchange in options contracts of that class unless the resulting short position will be covered, and the Options Official may prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in options contracts or in underlying securities.

(b) The Options Official may exempt transactions of Market Makers from restrictions imposed under this Rule. Such restrictions shall be rescinded upon a determination that they are no longer appropriate.

Sec. 15 Significant Business Transactions

(a) Except as provided in paragraph (c) below, a Participant that clears Market Maker trades is required to notify BOXR in writing fifteen (15) days prior to any of the following proposed significant business transactions ("SBT"):

- i. the combination, merger or consolidation between the Participant and another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products;
- ii. the transfer from another person, market maker, broker-dealer, or customer of securities or futures accounts that are significant in size or number to the business of the Participant;
- iii. the assumption or guarantee by the Participant of liabilities of another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products, in connection with a direct or indirect acquisition of all or substantially all of the person's assets; or
- iv. termination of the Participant's clearing business or any material part thereof.

(b) Notification of any of the following SBTs shall be made in writing to BOXR, not later than five (5) business days from the date on which the SBT becomes effective:

- i. the sale by the Clearing Participant of a significant part of its assets to another person;
- ii. a change in the identity of any general partner or a change in the beneficial ownership of ten percent (10%) or more of any class of the outstanding stock of any corporate general partner;
- iii. a change in the beneficial ownership of twenty percent (20%) or more of

any class of the outstanding stock of the Participant or the issuance of any capital stock of the Participant; or

- iv. the acquisition by the Clearing Participant of assets of another person that would constitute a "business" that is "significant," as those terms are defined in Section 11-01 of Regulation S-X under the Exchange Act.

(c) A Clearing Participant is required to notify BOXR in writing thirty (30) days prior to a proposed SBT included in paragraph (a) of this Rule, and such SBT shall be subject to the prior approval of BOXR, if the Participant's Market Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:

- i. fifteen percent (15%) of cleared BOX Market Maker contract volume for the most recent three (3) months;
- ii. an average of fifteen percent (15%) of the number of BOX Market Makers as of each month and for the most recent three (3) months; or
- iii. twenty-five percent (25%) of BOX Market Maker gross deductions (haircuts) defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant in relation to the aggregate of such haircuts carried by all other Clearing Participants for any month end within the most recent three (3) months.

(d) An SBT that comes within paragraph (c) of this Section 15 may be disapproved or conditioned within the thirty (30) day period if BOXR determines that such SBT has the potential to threaten the financial or operational integrity of Market Maker transactions. In making this determination, BOXR may consider, among other relevant matters, the following:

- i. The effect of the proposed SBT on the capital size and structure of the resulting Clearing Participant(s), the potential for financial failure and the consequences of any such failure on the BOX market as a whole, and the potential for increased or decreased operational efficiencies arising from the proposed transaction.
- ii. The effect of the proposed SBT upon overall concentration of Market Makers, including a comparison of the following measures before and after the proposed transaction:
 - 1) proportion of BOX Market Maker contract volume cleared;
 - 2) proportion of BOX Market Makers cleared; and
 - 3) proportion of Market Maker gross deductions (haircuts) as defined by Rule 15c3-1(a)(6) or (c)(2)(x) under the Exchange Act carried by the Clearing Participant(s) in relation to the aggregate of such deductions carried by other Participants that clear market maker transactions.
- iii. The regulatory history of the affected Participants, specifically as it may indicate a tendency to financial or operational weakness.

(e) Transactions that come within paragraph (c) of this Section 15 shall be reviewed according to the following procedures:

- i. A Participant must provide promptly, in writing, all information reasonably requested by BOXR. Any information disclosed by Participants pursuant to the requirements of this Section 15 shall be kept confidential by BOXR until such information is otherwise publicly disclosed and shall be used only for purposes of reviewing the proposal.
- ii. If BOXR determines, prior to the expiration of the thirty (30) day period, that a proposed SBT may be approved without conditions, BOXR shall promptly so advise the Participant.
- iii. All decisions to disapprove or condition a proposed SBT or to impose extraordinary requirements shall be in writing, shall include a statement setting forth the grounds for the decision, and the Participant shall be promptly notified of any such decisions by BOXR.
- iv. Notwithstanding any other provisions of the BOX Rules, the Participant may appeal a decision to disapprove or condition a proposed SBT directly to the Board by filing an application for review with the Secretary of the Exchange within fifteen (15) days of the date of service of the decision. Appeal to the Board shall be the exclusive method of reviewing such a decision.
- v. An appeal to the Board of a decision to disapprove or condition a proposed SBT shall not operate as a stay of that decision during the pendency of the appeal.
- vi. BOXR shall file notice with the SEC in accordance with the provisions of Section 19(d)(1) of the Exchange Act of all final decisions to disapprove or condition a proposed SBT.

(f) BOXR may impose additional financial and/or operational requirements on a Participant that clears Market Maker trades at any time when it determines that the Participant's continuance in business without such requirements has the potential to threaten the financial or operational integrity of Market Maker transactions.

(g) The provisions of this Section 15 do not preclude other Exchange or BOXR action pursuant to the BOX Rules.

(h) BOXR, upon approval by the Chief Regulatory Officer of BOXR, may exempt a Participant from the requirements of this Section 15, either generally or in respect of specific types of transactions, based on the limited proportion of Market Maker trades on BOX that are cleared by the Participant or on the limited importance that the clearing of Market Maker trades bears to the total business of the Participant.

Amended.

May 14, 2012.

Sec. 16 Proxy Voting

(a) No Participant shall give a proxy to vote stock that is registered in its name, unless: (i) such Participant is the beneficial owner of such stock; (ii) pursuant to the written instructions of the beneficial owner; or (iii) pursuant to the rules of any national securities exchange or association of which it is a member provided that the records of the Participant clearly indicate the procedure it is following.

(b) Notwithstanding the foregoing, a Participant that is not the beneficial owner of a security registered under Section 12 of the Exchange Act is prohibited from granting a proxy to vote the security in connection with a shareholder vote on the election of a member of the board of directors of an issuer (except for a vote with respect to uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940), executive compensation, or any other significant matter, as determined by the SEC, by rule, unless the beneficial owner of the security has instructed the Participant to vote the proxy in accordance with the voting instructions of the beneficial owner.

Amended.

March 3, 2011.

CHAPTER IV. SECURITIES TRADED ON THE BOSTON OPTIONS EXCHANGE FACILITY

Sec. 1 Designation of Securities

Securities traded on BOX are options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month, exercise price and type (put or call).

Sec. 2 Rights and Obligations of Holders and Writers

The rights and obligations of holders and writers are set forth in the Rules of the Clearing Corporation.

Sec. 3 Criteria for Underlying Securities

(a) Underlying securities with respect to which put or call options contracts are approved for listing and trading on BOX must meet the following criteria:

- i. The security must be registered with the SEC and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and
- ii. the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

(b) In addition, BOXR shall from time to time establish standards to be considered in evaluating potential underlying securities for BOX options transactions. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the standards established by BOXR does not necessarily mean that it will be selected as an underlying security. BOXR may give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the foregoing, an underlying security will not be selected unless:

- i. There are a minimum of seven (7) million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.
- ii. There are a minimum of 2,000 holders of the underlying security.
- iii. The issuer is in compliance with any applicable requirements of the Exchange Act or Rules thereunder.
- iv. Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.
- v. Either:
 - 1) If the underlying security is a "covered security" as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five consecutive business days preceding the

date on which the Exchange submits a certificate to the Clearing Corporation for listing and trading, as measured by the closing price reported in the primary market in which the underlying security is traded; or

- 2) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three (3) calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

vi. Notwithstanding the requirements set forth in paragraphs i. through v. above, BOX may list and trade an options contract if:

- 1) The underlying security meets the guidelines for continued listing set forth in Section 4 of this Chapter IV; and
- 2) options on such underlying security are traded on at least one other national securities exchange.

(c) *Securities of Restructured Companies*

i. *Definitions.* The following definitions shall apply to the provisions of this paragraph (c):

- 1) "Restructuring Transaction" refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.
- 2) "Restructure Security" refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.
- 3) "Original Equity Security" refers to a company's equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.
- 4) "Relevant Percentage" refers to either: (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

ii. *"Share" and "Number of Shareholder" Standards.* In determining whether a Restructure Security satisfies the share standard set forth in this Section 3(b)(i) (the "Share Standard") or the number of holders standard set forth in this Section 3(b)(ii) (the "Number of Shareholders Standard"), BOXR may rely upon the facts and circumstances that it expects to exist on the option's intended listing date, rather than on the date on which BOXR selects for options trading the underlying Restructure Security.

- 1) BOXR may assume that: (i) both the "Share" and "Number of Shareholders" Standards are satisfied if, on the option's intended listing date, BOXR expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and (ii) either such Standard is satisfied if, on the option's intended listing day, BOXR expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Standard in question.
 - 2) BOXR may not rely on any such assumption, however, if a reasonable BOXR investigation or that of another exchange demonstrates that either the Share Standard or Number of Shareholders Standard will not in fact be satisfied on an option's intended listing date.
 - 3) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, BOXR may determine that either the Share Standard or the Number of Shareholders Standard is satisfied based upon BOXR's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.
- iii. *"Trading Volume"* Standard. In determining whether a Restructure Security that is issued or distributed to the holders of shares of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies the trading volume standard set forth in Section 3(b)(4) (the "Trading Volume Standard"), BOXR may consider the trading volume history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (v) below.
- iv. *"Market Price"* Standard. In determining whether a Restructure Security satisfies the market price history standard set forth in Section 3(b)(v) (the "Market Price Standard"), BOXR may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:
- 1) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (v) below; and
 - 2) in the case of the application of the Market Price Standard to a Restructure Security that is distributed pursuant to a public offering or a rights distribution: (i) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five trading days immediately preceding the date of selection; and (ii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of trading on the date of selection, the market price of the Restructure Security was at least \$7.50, or, if the Restructure Security is a "covered security," as defined in Section 3(b)(v)(1), the market price of the

Restructure Security was at least \$3.00.

- v. The "*Substantiality Test*." A Restructure Security satisfies the "Substantiality Test" if:
- 1) the Restructure Security has an aggregate market value of at least \$500 million; or
 - 2) at least one of the following conditions is met:
 - (a) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;
 - (b) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or
 - (c) the revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.
- vi. A Restructure Security's aggregate market value may be determined from "when issued" prices, if available.
- vii. In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, BOXR shall use the Restructure Security's closing price on its primary market on the last business day prior to the selection date or the Restructure Security's opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.
- viii. In calculating comparative asset values and revenues, BOXR shall use either: (a) the issuer's latest annual financial statements or (b) the issuer's most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.
- ix. Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, BOXR may not rely upon the trading volume or market price history of an Original Equity Security as Paragraph (c) of this Section 3 permits for any trading day unless it relies upon both of those measures for that trading day.
- x. Once BOXR commences to rely upon a Restructure Security's trading volume and market price history for any trading day, BOXR may not rely

upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.

- xi. "*When Issued*" Trading Prohibited. BOXR shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.

(d) In considering underlying securities, BOXR shall ordinarily rely upon information made publicly available by the issuer and/or the markets in which the security is traded.

(e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.

(f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and standards set forth in this Section 3 and if, in the case of ADRs:

- i. BOXR has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded;
- ii. the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading;
- iii.
 - 1) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where BOXR has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading,
 - 2) the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and
 - 3) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months preceding the date of selection of the ADR for options trading ("Daily Trading Volume Standard"); or

- iv. the SEC otherwise authorizes the listing.

(g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ("International Funds") if they meet the criteria and standards set forth in this Section 3 and either:

- i. BOXR has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or
- ii. the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five (5) or more countries.

(h) A "market information sharing agreement" for purposes of this Section is an agreement that would permit BOXR to obtain trading information relating to the securities held by the fund including the identity of the Participant of the foreign exchange executing a trade. International Fund shares not meeting the criteria of paragraph (i) shall be deemed appropriate for options trading if the SEC specifically authorizes the listing thereof.

(i) Securities deemed appropriate for options trading shall include shares or other securities ("Exchange Traded Fund Shares") that are traded on a national securities exchange and are defined as an "NMS" stock under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments, including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the "Financial Instruments") and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments) or (ii) represent interests in a trust that holds a specified non-U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares") or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool ETFs") or (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the ETFS Gold Trust or the ETFS Silver Trust, the ETFS Palladium Trust, the ETFS Platinum Trust or the Sprott Physical Gold Trust; provided that all of the following conditions are met:

(A) the Exchange-Traded Fund Shares either (1) meet the criteria and guidelines set forth in paragraphs (a) and (b) of this Section 3 above; or (2) the Exchange-Traded Fund Shares are available for creation or redemption each business day from or through the issuing trust, investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is

secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares' prospectus; and

- (B)
 - i. any non-U.S. component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;
 - ii. component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index;
 - iii. component securities of an index or portfolio of securities on which the Exchange-Traded Fund Shares are based for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index.
 - iv. For Currency Trust Shares, the Exchange has entered into an appropriate comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency or currencies, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded; and
 - v. For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded.

(j) Securities deemed appropriate for options trading shall include shares or other securities ("Trust Issued Receipts") that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:

- i. the Trust Issued Receipts (1) meet the criteria and standards for underlying securities set forth in paragraph (b) to this Rule; or (2) must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and
- ii. not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.

(k) Index-Linked Securities.

- (i) Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities", "Commodity-Linked Securities",

“Currency-Linked Securities”, “Fixed Income Index-Linked Securities”, “Futures-Linked Securities”, and “Multifactor Index-Linked Securities”, collectively known as “Index-Linked Securities”) that are principally traded on a national securities exchange and are defined as an “NMS stock” (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:

(1) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an underlying index or indexes of equity securities (“Equity Reference Asset”);

(2) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing (“Commodity Reference Asset”);

(3) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in Subsection (i) of this Section 3), or a basket or index of any of the foregoing (“Currency Reference Asset”);

(4) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or subdivision thereof or a basket or index of any of the foregoing (“Fixed Income Reference Asset”);

(5) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts (“Futures Reference Asset”); and

(6) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets (“Multifactor Reference Asset”);

(ii) For purposes of Subsection (k) of this Section 3, Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as “Reference Assets”.

(iii) (1) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in Subsection (b) of this Section 3; or

(2) the Index-Linked securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

- (iv) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

Supplementary Material to Section 3

.01 "Commodity-Based Trust Shares" shall, unless the context otherwise requires, mean a security that (a) is issued by a trust ("Trust") that holds a specified commodity deposited with the Trust; (b) is issued by such Trust in a specified aggregate minimum number in return for a deposit of a quantity of the underlying commodity; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder's request by such Trust which will deliver to the redeeming holder the quantity of the underlying commodity.

Amended.

December 8, 2005.
February 12, 2008.
April 30, 2008.
July 7, 2008.
July 10, 2008.
November 7, 2008.
December 4, 2008.
June 30, 2010.
July 28, 2010.
September 8, 2010.
December 15, 2010.

Sec. 4 Withdrawal of Approval of Underlying Securities

(a) Whenever BOXR determines that an underlying security previously approved for BOX Transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, BOXR will not open for trading any additional series of options of the class covering that underlying security and shall prohibit any opening purchase transactions in series of options of that class previously opened to the extent it deems such action necessary or appropriate. When all options contracts with respect to any underlying security that is no longer approved have expired, BOXR will make application to the SEC to strike from trading and listing all such options contracts.

(b) An underlying security will not be deemed to meet BOXR's requirements for continued approval whenever any of the following occur:

- i. There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.
- ii. There are fewer than 1,600 holders of the underlying security.
- iii. The trading volume (in all markets in which the underlying security is

traded) has been less than 1,800,000 shares in the preceding twelve (12) months.

- iv. Reserved.
- v. {Reserved}
- vi. The underlying security ceases to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act.
- vii. If an underlying security is approved for options listing and trading under the provisions of Section 3 of this Chapter IV (Criteria for Underlying Securities), the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including "when-issued" trading, may be taken into account in determining whether the trading volume requirement of (iii) of this paragraph (b) is satisfied.

(c) Reserved.

(d) In considering whether any of the events specified in paragraph (b) of this Section 4 have occurred with respect to an underlying security, BOXR shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.

(e) If prior to the delisting of a class of options contracts covering an underlying security that has been found not to meet BOXR's requirements for continued approval, BOXR determines that the underlying security again meets BOXR's requirements, BOXR may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed by this Section 4.

(f) Whenever BOXR announces that approval of an underlying security has been withdrawn for any reason or that BOXR has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Participant shall, prior to effecting any transaction in options contracts with respect to such underlying security for a Customer, inform such Customer of such fact and of the fact that BOXR may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.

(g) If an ADR was initially deemed appropriate for options trading on the grounds that fifty percent (50%) or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which BOXR has in place an effective surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the daily trading volume standard in Section 3 of this Chapter IV (Criteria for Underlying Securities), BOXR may not open for trading additional series of options on the ADR unless:

- i. The percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which BOXR has in place effective surveillance sharing agreements for any consecutive three (3) month period is either: (1) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or (2) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares; or
- ii. BOXR then has in place an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying

the ADR is traded; or

- iii. the SEC has otherwise authorized the listing thereof.

(h) Exchange-Traded Fund Shares approved for options trading pursuant to Section 3 of this Chapter IV will not be deemed to meet the requirements for continued approval, and BOXR shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares if the Exchange-Traded Fund Shares are delisted from trading as provided in subparagraph (b)(vi) of this Section or the Exchange-Traded Fund Shares are halted or suspended from trading on their primary market. In addition, BOXR shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:

- i. In the case of options covering Exchange-Traded Fund Shares approved pursuant to Section 3(i)(A)(1), in accordance with the terms of subparagraphs (b)(i), (ii) and (iii) of this Section 4;
- ii. In the case of options covering Exchange-Traded Fund Shares approved pursuant to Section 3(i)(A)(2) of this Chapter IV, following the initial twelve-month period beginning upon the commencement of trading in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;
- iii. the value of the index or portfolio of securities or non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments and Money Market Instruments, on which the Exchange-Traded Fund Shares are based is no longer calculated or available; or
- iv. such other event occurs or condition exists that in the opinion of BOXR makes further dealing in such options on BOX inadvisable.

(i) Securities initially approved for options trading pursuant to paragraph (j) of Section 3 of this Chapter IV (such securities are defined and referred to in that paragraph as "Trust Issued Receipts") shall not be deemed to meet BOXR's requirements for continued approval, and BOXR shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, BOXR shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

- i. in accordance with the terms of paragraph (b) of this Section 4 in the case of options covering Trust Issued Receipts when such options were approved pursuant to subparagraph (j)(i)(1) under Section 3 of this Chapter IV;
- ii. the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;
- iii. the Trust has fewer than 50,000 receipts issued and outstanding;
- iv. the market value of all receipts issued and outstanding is less than

\$1,000,000; or

- v. such other event shall occur or condition exist that in the opinion of BOXR makes further dealing in such options on BOX inadvisable.

(j) For Holding Company Depositary Receipts (HOLDRs), BOXR will not open additional series of options overlying HOLDRs (without prior Commission approval) if: (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRs trust is less than 80% (as measured by their relative weightings in the HOLDRs trust); or (2) less than 80% of the total number of securities held in a HOLDRs trust underlie standardized equity options.

(k) Absent exceptional circumstances, Index-Linked Securities ("Securities") initially approved for options trading pursuant to Section (k) of Section 3 of this Chapter IV shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series or options contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an "NMS stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

- i. The underlying Index-Linked Security fails to comply with the terms of Subsection (k) of Section 3 of this Chapter IV;
- ii. In accordance with the terms of Subsection (b) of this Section 4, in the case of options covering Index-Linked Securities when such options were approved pursuant to Subsection (k) of Section 3 of this Chapter IV, except that, in the case of options covering Index-Linked Securities approved pursuant to Subsection (k)(iii)(2) of Section 3 of this Chapter IV that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are an "NMS" stock as defined in Rule 600 of Regulation NMS;
- iii. In the case of any Index-Linked Security trading pursuant to Subsection (k) of Section 3 of this Chapter IV, the value of the Reference Asset is no longer calculated;
- iv. Such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

Amended.

December 8, 2005.
April 30, 2008.
July 7, 2008.
November 7, 2008.
February 18, 2009.

Sec. 5 Minimum Participation Requirement for Opening Trading of Option Classes

(a) After a particular class of options has been approved for listing on BOX, BOXR will open trading in series of options in that class only if there is at least one Market Maker appointed for trading that particular class. This requirement pertains only to the initial opening of trading of any class of options or the initial opening of any series of an options class made pursuant to Section 6 of this Chapter IV.

(b) If a particular class of options has been approved for listing on BOX and there is not at least one series of options in that class open for trading, the class shall be halted from trading until such time as a series of options in that class may be opened. In such circumstances, BOX will not execute orders on its book, and will not accept inbound orders from BOX Options Participants or from away markets.

(c) Nothing in this Section 5 shall require a single Market Maker in a class to continue trading in that class if an Options Official makes an affirmative determination that continued trading in that class by a single Market Maker is to the detriment of that Market Maker, of no adverse consequence to an existing Customer of BOX or an Options Participant, and serves no greater purpose in the fair and orderly functioning of the marketplace.

(d) Once a class is opened for trading and subsequently zero Market Makers remain appointed to that class, an Options Official shall halt trading in such options class until such time when at least one Market Maker is again appointed for trading in that particular class. In such circumstances, BOX will not execute orders on its book, and will not accept inbound orders from BOX Options Participants or from away markets.

Amended.

May 4, 2010.

Sec. 6 Series of Options Contracts Open for Trading

(a) After a particular class of options has been approved for listing and trading on BOX, BOXR from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on BOX. Prior to the opening of trading in a given series, BOXR will fix the expiration month, year and exercise price of that series. For Quarterly Options Series and Short Term Options Series, BOX will fix a specific expiration date and exercise price, as provided in Supplementary Material .04 and .07, respectively.

(b) Except for Quarterly Options Series and Short Term Options Series, at the commencement of trading on BOX of a particular class of options, BOX shall open a minimum of one expiration month and series for each class of options open for trading on BOX. The exercise price of each series will be fixed at a price per share at which the underlying stock is traded in the primary market, at about the time that class of options is first opened for trading on BOX. Exercise-price setting parameters adopted as part of the Options Listing Procedures Plan ("OLPP") are incorporated herein. A complete copy of the current OLPP may be accessed at: <http://www.optionsclearing.com>.

(i) Exercise Price Range Limitations - Except as provided in subparagraphs (ii) through (iv) below, if the price of the underlying security is less than or equal to \$20, BOX shall not list new options series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three (3) exercise prices per expiration month in an options class. If the price of the underlying security is greater than \$20, BOX shall not list new options series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by: (1) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges; (2) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day BOX determines its preliminary notification of new series; and (3) for options series to be added as a result of pre-market trading, the most recent share

price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. (Eastern Time).

(ii) The series exercise price range limitations contained in subparagraph (i) above shall not apply with regard to the listing of \$1 Strike Prices in options classes participating in the \$1 Strike Price Program. Instead, BOX shall be permitted to list \$1 Strike Prices to the fullest extent as permitted under Supplementary Material .02, below.

(iii) BOX may designate up to five (5) options classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the options class is delisted by BOX, in which case BOX may designate another options class to replace the delisted class. If a designated options class is delisted by BOX but continues to trade on at least one options exchange, the options class shall be subject to the limitations on listing new series set forth in subparagraph (i) above unless designated by another exchange.

(iv) If BOX has designated five (5) options classes pursuant to subparagraph (iii) above it may request that one (1) or more additional options classes be excepted from the limitations on listing new series set forth in subparagraph (i) above. The additional options class(es) shall be so designated upon the unanimous consent of all exchanges that trade the options class(es). Additionally, pursuant to the request of BOX, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an options class, by the unanimous consent of all exchanges that trade the designated options class.

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the vote, plus the next standard expiration month to be added, and also to any non-standard expirations that occur prior to the next standard monthly expiration.

(v) The provisions of this subparagraph shall not permit the listing of series that are otherwise prohibited by these Rules or the OLPP. To the extent these Rules permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern, unless explicitly stated otherwise.

(vi) BOX may list an options series that is listed by another options exchange, provided that at the time such series was listed by the other options exchange it was not prohibited under the provisions of the OLPP, under the rules of the exchange that initially listed the series or under the BOX Rules.

(c) Additional series of options of the same class may be opened for trading on BOX when BOXR deems it necessary to maintain an orderly market, to meet Customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, BOXR, in its discretion, may add a new series of options on an individual stock until five (5) business days prior to expiration.

(d) The interval between strike prices of series of options on individual stocks will be:

- i. \$2.50 or greater where the strike price is \$25.00 or less;
- ii. \$5.00 or greater where the strike price is greater than \$25.00; and

iii. \$10.00 or greater where the strike price is greater than \$200.00, except as provided in (d)(v).

iv. The interval between strike prices of series of options on Exchange Traded Fund Shares approved for options trading pursuant to Section 3(i) of this Chapter IV shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on BOX, or at such intervals as may have been established on another options exchange prior to the initiation of trading on BOX.

v. BOX may list series in intervals of \$5 or greater where the strike price is more than \$200 in up to five (5) option classes on individual stocks. BOX may list \$5 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$5 Strike Program under their respective rules.

(e) Reserved.

Amended:

April 30, 2008
March 30, 2011.
October 19, 2011.

Supplementary Material to Section 6

.01 The interval between strike prices of series of options on individual stocks may be \$2.50 or greater where the strike price is \$25 or less, provided however, that BOX may not list \$2.50 intervals below \$50 (e.g. \$12.50, \$17.50) for any class included within the \$1 Strike Price Program, as detailed below in Supplementary Material .02.

a. For series of options on Exchange-Traded Fund Shares that satisfy the criteria set forth in Chapter IV, Section 3(i) of these Rules, the interval of strike prices may be \$1 or greater where the strike price is \$200 or less or \$5 or greater where the strike price is over \$200.

b. For series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDRs) that satisfy the criteria set forth in Chapter IV, Section 3(j) of these Rules, the interval between strike prices will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is greater than \$200.

c. For series of options on Index-Linked Securities that satisfy the criteria set forth in Chapter IV, Section 3(k) of these Rules, the interval between strike prices will be \$1 or greater when the strike price is \$200 or less and \$5 or greater when the strike price is greater than \$200.

Exceptions to the strike price intervals above are set forth in Supplementary Materials .02, .03 and .06 below.

.02 \$1 Strike Price Interval Program

- a. **Program Description.** The interval between strike prices of series of options on individual stocks may be \$1 or greater intervals where the strike price is \$50 or less, but not less than \$1. Except as provided in Supplementary Material .02(c) below, the listing of \$1 strike price intervals shall be limited to option classes overlying no more than one hundred fifty (150) individual stocks as specifically designated by BOX. BOX may list \$1 Strike Price on any other option classes if those classes are specifically designated by other national securities exchanges that employ a similar \$1 Strike Price Interval Program under their respective rules. If a class participates in the \$1 Strike Price Interval Program, \$2.50 strike price intervals are not permitted between \$1 and \$50 for non-LEAPS and LEAPS.
- b. **Initial and Additional Series.** To be eligible for inclusion into the \$1 Strike Price Interval Program, an underlying stock must close below \$50 in the primary market on the previous trading day. After a stock is added to the \$1 Strike Price Interval Program, BOX may list \$1 Strike Price intervals from \$1 to \$50 according to the following parameters:
 - (i) If the price of the underlying stock is equal to or less than \$20, BOX may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is \$2, BOX would be permitted to list the following series: \$1, \$2, \$3, \$4, \$5, \$6 and \$7.
 - (ii) If the price of the underlying stock is greater than \$20, BOX may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to \$50.
 - (iii) For the purpose of adding strikes under the \$1 Strike Price Interval Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in Section 6(b)(i) of this Chapter IV, above.
 - (iv) No additional series in \$1 strike price intervals may be listed if the underlying stock closes at or above \$50 in its primary market. Additional series in \$1 strike price intervals may not be added until the underlying stock closes again below \$50.
 - (v) **LEAPS.** For stocks in the \$1 Strike Interval Program, BOX may list one \$1 strike price interval between each standard \$5 strike interval, with the \$1 strike price interval being \$2 above the standard strike for each interval above the price of the underlying stock, and \$2 below the standard strike for each interval below the price of the underlying stock. For example, if the price of the underlying stock is \$24.50, BOX may list the following standard strikes in \$5 intervals: \$15, \$20, \$25, \$30 and \$35. Between these standard \$5 strikes, BOX may list the following \$2 wings: \$18, \$27 and \$32.

In addition, BOX may list the \$1 strike price interval which is \$2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price (\$24.50) is \$20, BOX may list a \$22 strike. BOX may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP. Additional long-term option strikes may not be listed within \$1 of an existing strike until less than nine months to expiration.
- c. The Exchange may list \$1 strike prices up to \$5 in LEAPS in up to 200 option classes on individual stocks. The Exchange may not list \$1 strike price intervals within \$0.50 of an existing \$2.50 strike in the same expiration.

- d. A stock shall remain in the \$ 1 Strike Price Interval Program until otherwise designated by BOX.
- e. **Delisting Policy.** For options classes selected to participate in the \$1 Strike Price Interval Program, BOX will, on a monthly basis, review series that were originally listed under the \$1 Strike Price Interval Program with strike prices that are more than \$5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

If BOX identifies series for delisting pursuant to this policy, BOX shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, BOX may grant Participant requests to add strikes and/or maintain strikes in series of options classes traded pursuant to this \$1 Strike Price Interval Program that are eligible for delisting.

.03 BOX may select up to 60 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50 (the “\$2.50 Strike Price Program”). In addition to those options selected by BOX, the strike price interval may be \$2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program. On any option class that has been selected as part of this \$2.50 Strike Price Program, \$2.50 strike prices between \$50 and \$100 may be listed, provided that \$2.50 strike prices between \$50 and \$100 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the \$2.50 Strike Price Program, and the underlying security closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54.00, the Exchange may list the \$52.50 strike price, the \$57.50 strike price and the \$62.50 strike price on the next business day.

.04 Quarterly Options Series Program: BOX may list and trade options series that expire at the close of business on the last business day of a calendar quarter (“Quarterly Options Series”). BOX may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds (or “Exchange-Traded Fund Shares”) as defined in Section 3 of this Chapter IV. In addition, BOX may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) BOX may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year. For example, if the Exchange is trading Quarterly Options Series in the month of May 2009, it will list series that expire at the end of the second, third and fourth quarters of 2009, as well as the first and fourth quarters of 2010. Following the second quarter 2009 expiration, the Exchange will add series that expire at the end of the second quarter of 2010.

(b) Quarterly Options Series shall be P.M. settled.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on BOX. BOX shall list strike prices for a Quarterly Options Series that are within \$5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on BOX when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by BOX, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying Exchange Traded Fund Share on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in Exchange Traded Fund Share options that are more than 30% above or below the current price of the underlying Exchange Traded Fund Share provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each Quarterly Options Series in Exchange Traded Fund Share options.

(e) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f) Delisting Policy.

(i) With respect to Quarterly Options Series in Exchange Traded Fund Share options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying Exchange Traded Fund Share, and delist series with no open interest in both the put and the call series having: (1) a strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; or (2) a strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(ii) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in Exchange Traded Fund Share options in series eligible for delisting shall be granted.

(iii) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in Exchange Traded Fund Share options.

(g) During the last quarter of 2008 (and for the new expiration month being added after December Quarterly Option Series expiration), BOX may list up to one hundred (100) additional series per expiration month for each Quarterly Options Series in ETF options.

.05 Notwithstanding Supplementary Material .01 through .04 above, the intervals between strike prices for Mini-Nasdaq-100 Index ("MNX" or "Mini-NDX") option series shall be determined in accordance with Section 10(c)(5) of Chapter XIV.

.06 The interval of strike prices of series of options on individual stocks may be \$0.50 or greater beginning at \$0.50 where the strike price is \$5.50 or less, but only for options classes whose underlying security closed at or below \$5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options

Clearing Corporation during the preceding three calendar months. The listing of \$0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "\$0.50 Strike Price Program") as specifically designated by BOX. BOX may list \$0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$0.50 Strike Price Program under their respective rules. A stock shall remain in the \$0.50 Strike Price Program until otherwise designated by BOX.

.07 Short Term Option Series Program. After an option class has been approved for listing and trading on BOX, BOX may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If BOX is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if BOX is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(a) BOX may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 30-option class restriction, BOX also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, BOX may open up to thirty (30) Short Term Option Series for each expiration date in that class. BOX may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) No Short Term Option Series may expire in the same week in which monthly option series on the same class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same class.

(c) BOX may open up to 20 initial series for each option class that participates in the Short Term Options Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on BOX (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by BOX shall be within thirty percent (30%) above or below the closing price of the underlying security from the preceding day.

(d) BOX may open up to 10 additional series for each option class that participates in the Short Term Option Series Program when deemed necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by BOX shall be within thirty percent (30%) above or below the current price of the underlying security. BOX may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle.

.08 Reserved.

.09 Notwithstanding the requirements set forth in this Section 6 and any Supplementary Material thereto, BOX may list additional expiration months on options classes opened for trading on BOX if such expiration months are opened for trading on at least one other registered national securities exchange.

Amended.

February 20, 2004.
June 4, 2004.
June 2, 2005.
May 24, 2006.
August 31, 2006.
April 25, 2007.
July 17, 2007.
October 4, 2007.
January 29, 2008.
February 5, 2008.
April 1, 2008.
April 30, 2008.
July 9, 2008.
November 19, 2008.
December 15, 2008.
March 16, 2009.
July 9, 2009.
October 6, 2009.
November 19, 2009.
February 10, 2010.
March 30, 2010.
July 14, 2010.
July 19, 2010.
August 9, 2010.
August 30, 2010.
October 27, 2010.
November 10, 2010.
December 2, 2010.
January 10, 2011.
January 21, 2011.
March 1, 2011.
March 30, 2011.
May 23, 2011.
October 19, 2011.
November 7, 2011.
November 10, 2011.
January 17, 2012.
March 29, 2012.

Sec. 7 Adjustments

Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. BOXR will announce adjustments, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.

Sec. 8 Long-Term Options Contracts

(a) Notwithstanding conflicting language in Section 5 of this Chapter IV (Series of Options Contracts Open for Trading), BOXR may list long-term options contracts (LEAPS®) that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to six (6) additional expiration months. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(b) After a new long-term options contract series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

(c) With regard to the listing of new January LEAPS series on equity options classes, options on ETFs or options on Trust Issued Receipts ("TIRs"), BOX shall not add new LEAP series on a currently listed and traded options class:

(i) Earlier than September (which is 28 months before the expiration), for an option class on the January expiration cycle;

(ii) Earlier than October (which is 27 months before expiration), for an option class on the February expiration cycle; and

(iii) Earlier than November (which is 26 months before expiration), for an option class on the March expiration cycle.

(d) BOX shall not list new LEAP series on equity options classes, options on ETFs, or options on TIRs in a new expiration year if the national average daily contract volume, excluding LEAP and FLEX series, for that options class during the preceding three (3) calendar months is less than 1,000 contracts, unless the new LEAP series has an expiration year that has already been listed on another exchange for that option class. The preceding volume threshold does not apply during the first six (6) months an equity options class, option on an ETF, or option on a TIR is listed on any exchange.

Amended.

February 10, 2010.

Chapter V. Doing Business on BOX

Sec. 1 Access to and Conduct on the BOX Market

(a) *Access to BOX.* Unless otherwise provided in the Rules, no one but a Participant or a person associated with a Participant shall effect any BOX Transactions.

(b) *BOX Conduct.* Participants and persons employed by or associated with any Participant, while using the facilities of BOX, shall not engage in conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; or (iii) inconsistent with the ordinary and efficient conduct of business. Activities that shall violate the provisions of this paragraph (b) include, but are not limited to, the following:

- i. failure of a Market Maker to provide quotations in accordance with Chapter VI, Section 6 of these Rules;
- ii. failure of a Market Maker to bid or offer within the ranges specified by Chapter VI, Section 5 of these Rules;
- iii. failure of a Participant to supervise a person employed by or associated with such Participant adequately to ensure that person's compliance with this paragraph (b);
- iv. failure to maintain adequate procedures and controls that permit the Options Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in this paragraph (b) and Chapter III, Section 2 of these Rules;
- v. failure to abide by a determination of BOXR;
- vi. effecting transactions that are manipulative as provided in Section 17 and 18(g) of this Chapter V and Chapter II, Section 26 of the Rules of the Exchange (See BSE Rules Chapter II, "Dealings on the Exchange", Sections 26-31, generally);
- vii. refusal to provide information requested by BOXR (See Constitution Article XIV, "Expulsion and Suspension", generally, and BSE Rules Chapter XVIII, "Conduct", Section 5, "Failure to Respond to Exchange Inquiries"); and
- viii. failure to abide by the provisions of the sections of this Chapter V related to limitations on orders.

(c) Subject to the Rules, BOX will provide access to the Trading Host to Options Participants in good standing that wish to conduct business on BOX.

(d) Pursuant to the Rules and the arrangements referred to in this Chapter V, BOXR may:

- i. suspend an Options Participant's access to the Trading Host following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
- ii. terminate an Options Participant's access to the Trading Host by notice in writing.

Amended.

May 14, 2012.

Sec. 2 Fees and Charges

(a) *Participation Fees.* The Board in its discretion shall fix participation fees payable by Options Participants from time to time. Fees shall be payable in full on the first day of January, April, July and October on a non-refundable basis and shall be applied to the quarter beginning on that day.

(b) *Transaction Fees.* Options Participants shall pay a fee for each transaction they execute on BOX, as may be determined by the Board in its discretion. The Board may prescribe different, or no fees for different types of transactions conducted on BOX.

(c) *Covered Sale Fee.* Under Section 31 of the Securities Exchange Act of 1934, the Exchange must pay certain fees to the Securities and Exchange Commission ("Commission"). To offset the Exchange's obligations to the Commission under Section 31, a Covered Sale Fee is assessed by the Exchange to Options Participants. To the extent there may be any excess monies collected under this Rule, the Exchange may retain those monies to help fund its general operating expenses.

- (i) The Covered Sale Fee is collected indirectly from Options Participants through their clearing firms by a designated clearing agency, as defined by the Act, on behalf of the Exchange.
- (ii) A Covered Sale Fee is assessed by the Exchange to each Options Participant for sales of securities in the following circumstances:
 - (A) When a sale in option securities occurs with respect to which the Exchange is obligated to pay a fee to the Commission under Section 31 of the Act;
 - (B) When a sell order in option securities is routed for execution at a market other than on BOX, resulting in a covered sale on that market and an obligation of the Routing Broker providing routing services for BOX, as described in Chapter XII, Sec. 5 Supp. Material .01 to pay the related sales fee of that market.

(d) *Other Fees.* In addition to the fees and charges specified in this Chapter, the Board may, from time to time, fix and impose other fees, assessments or charges to be paid to BOX by Options Participants or by classes of Options Participants with respect to applications, registrations, approvals, use of BOX and Trading Host facilities or other services or privileges granted.

(e) *Liability for Payment of Fees.* An Options Participant that does not pay any fees, assessments, charges, fines or other amounts due to BOX within thirty (30) days after they have become due and payable shall be reported to the Board or its delegate which may, after giving reasonable notice to the Options Participant of such arrearages, suspend the Options Participant until payment is made or terminate the Options Participant's participation on BOX. A person associated with an Options Participant who fails to pay any fine or other amounts due to BOX within thirty (30) days after such amount has become due and payable and after reasonable notice of such arrearages, may be suspended from association with an Options Participant until payment is made.

Amended.

May 2, 2011.

May 14, 2012.

Sec. 3 Days and Hours of Business

(a) The Board shall determine the days BOX shall be open for options business (referred to as "business days") and the hours of such days during which options transactions may be made on BOX. No Options Participant shall make any bid, offer, or options transaction on BOX before or after such hours.

(b) Except for unusual conditions as may be determined by the Board, hours during which transactions in options on individual stocks may be made on BOX shall correspond to the normal business days and hours for business set forth in the rules of the primary market trading the securities underlying BOX options. (See BSE Rules Chapter I-B, "Business Hours", Section 1, "Primary Session"). Notwithstanding the foregoing, transactions may be effected in options contracts on Exchange Traded Fund Shares, as defined in Chapter 4, Section 3(i), and Index-Linked Securities, as defined in Chapter IV, Section 3(k), on BOX until 4:15 p.m.

(c) BOX shall not be open for business on any holiday observed by the Exchange. (See BSE Rules Chapter I-B, "Business Hours", Section 1, "Primary Session").

Amended.

December 10, 2004.

February 7, 2006.

April 30, 2008.

December 2, 2010.

Sec. 4 Units of Trading

The unit of trading in each series of options traded on BOX shall be the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of BOXR with the Clearing Corporation.

Sec. 5 Meaning of Premium Quotes and Orders

(a) *General.* Except as provided in paragraph (b), orders and quotations shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of "5" shall represent a bid of \$500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.

(b) *Special Cases.* Orders and quotations for an options contract for which BOX has established an adjusted unit of trading in accordance with Section 4 of this Chapter V shall be expressed in terms of dollars per 1/100 part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of "3" shall represent an offer of \$300 for an options contract having a unit of trading consisting of 100 shares of an underlying security plus ten (10) rights.

Sec. 6 Minimum Trading Increments

(a) The Board may establish minimum trading increments for options contracts traded on BOX. Such minimum increments established by the Board will be designated as a stated policy, practice, or interpretation with respect to the administration of this Section within the meaning of Section 19 of the Exchange Act and will be filed with the SEC as a rule change for effectiveness upon filing. Until such time as the Board makes a change in the increments, the following principles shall apply: (1) if the options contract is trading at less than \$3.00 per option, five (5) cents; (2) if the options contract is trading at \$3.00 per option or higher, ten (10) cents; and (3) if the options contract is traded pursuant to the procedures of the Improvement Period in Sections 18 and 29 then one (1) cent.

(b) The only exception to the principles outlined above shall be the classes contained in the Penny Pilot Program, as described in Section 33, of this Chapter V. For all classes contained in the Penny Pilot Program, except for the QQQQs, SPY and IWM, the following principles regarding minimum increments shall apply: (1) if the options contract is trading at less than \$3.00 per option, one (1) cent; and (2) if the options contract is trading at \$3.00 per option or higher, five (5) cents. For the QQQQ's, SPY and IWM the minimum trading increment for all option contracts will be one (1) cent.

Amended.

January 23, 2007.
January 15, 2008.
December 24, 2009.

Sec. 7 Acceptance of Quotes and Orders

All bids or offers made and accepted on BOX in accordance with the BOX Rules shall constitute binding contracts, subject to applicable requirements of the Rules the Exchange and the Rules of the Clearing Corporation. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 3, "Bids and Offers Binding").

Sec. 8 Market Regulation Center

There shall be a Market Regulation Center facility, located in or near Boston, Massachusetts, or successor United States based location in which, pursuant to procedures established by the Board, Options Officials and other BOXR personnel shall monitor and surveil options trading on BOX in order to ensure the maintenance of a fair and orderly market.

Sec. 9 Opening the Market

(a) *Pre-Opening Phase.* For some period of time before the opening in the underlying security (as determined by BOXR but not less than one hour and distributed to all BOX Participants via regulatory circular from BOXR), the BOX Trading Host will accept orders and quotes. During this period, known as the Pre-Opening Phase, orders and quotes are placed on the BOX Book but do not generate trade executions. Complex Orders and contingency orders (except "Market-on-Opening" and Fill and Kill orders) do not participate in the opening and are not accepted by the BOX Trading Host during this Pre-Opening Phase. BOX-Top Orders and Price Improvement Period orders are not accepted during the Pre-Opening Phase.

(b) *Calculation of Theoretical Opening Price.* From the time that the BOX Trading Host commences accepting orders and quotes at the start of the Pre-Opening Phase, the BOX Trading Host will calculate and provide the Theoretical Opening Price ("TOP") for the current resting orders and quotes on the BOX Book during the Pre-Opening Phase. The TOP is that price at which the Opening Match would occur at the current time, if that time were the opening, according to the Opening Match procedures described in paragraph (e) below. The quantity that would trade at this price is also calculated. The TOP is re-calculated and disseminated every time a new order or quote is received, modified or cancelled and where such event causes the TOP price or quantity to change.

A TOP can only be calculated if an opening trade is possible. An opening trade is possible if: i) the BOX Book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals lowest offer), or ii) there are Market or Market-on-Opening Orders in the BOX Book and at least one order or quote on the opposite side of the market.

(c) *Broadcast Information During Pre-Opening Phase.* The BOX Trading Host will disseminate information to all BOX Participants about resting orders in the BOX Book that remain from the

prior business day and any orders or quotes sent in before the Opening Match. This information will be disseminated in the usual BOX format of five best limits and associated quantity, aggregating all orders and quotes at each price level. This broadcast will also include the TOP and the quantity associated with the TOP. Any orders or quotes which are at a price better (i.e. bid higher or offer lower) than the TOP, as well as all Market and Market-on-Opening orders will be shown only as a total quantity on the BOX Book at a price equal to the TOP.

(d) *Market Maker Obligations During Pre-Opening Phase.* BOX Market Makers holding an assignment on a given options class are obliged, as part of their obligations to ensure a fair and orderly market, to provide continuous two-sided quotes according to the BOX minimum standards at the opening of the market for the underlying security.

(e) *Opening Match.*

- (i) Complex Orders and contingency orders do not participate in the Opening Match or in the determination of the opening price. The BOX Trading Host will establish the opening price at the time of the Opening Match. The opening price is the TOP at the moment of the Opening Match. The BOX Trading Host will process the series of a class in a random order, starting promptly after the opening for trading of the underlying security in the primary market. The TOP/opening price of a series is the "market clearing" price which will leave bids and offers which cannot trade with each other. In determining the priority of orders to be filled, the BOX Trading Host will give priority to Market Orders first, then to Market-on-Opening orders, then to Limit Orders whose price is better than the opening price, and then to resting orders on the BOX Book at the opening price. One or more series of a class may not open because of conditions cited in paragraph (f) of this Section 9.
- (ii) The BOX Trading Host will determine a single price at which a particular option series will be opened. BOX will calculate the optimum number of options contracts that could be matched at a price, taking into consideration all the orders on the BOX Book.
 - (1) The opening match price is the price which will result in the matching of the highest number of options contracts.
 - (2) Should two or more prices satisfy the maximum quantity criteria, the price which will leave the fewest resting contracts in the BOX Book will be selected as the opening match price
 - (3) Should there still be two or more prices which meet both criteria in subparagraphs (1) and (2), the price which is closest to the previous day's closing price will be selected as the opening match price. For new classes in which there is no previous day's closing price, BOX will utilize the price assigned to the class by BOX at the time the class was created ("reference price").
- (iii) An underlying security shall be deemed to be opened on the primary market where it is traded if such market has (i) reported a transaction in the underlying security, or (ii) disseminated opening quotations for the underlying security and not given an indication of a delayed opening, whichever first occurs.
- (iv) In the event the underlying security has not opened within a

reasonable time after 9:30am Eastern time, the Exchange shall report the delay to the other exchange and an inquiry shall be made to determine the cause of the delay. The opening rotation for options contracts in such security shall be delayed until the underlying security has opened unless the Exchange determines that the interest of a fair and orderly market are best served by opening trading in the options contract.

(f) As the Opening Match price is determined by series, the BOX Trading Host will proceed to move the series from the Pre-Opening Phase to the continuous or regular trading phase and disseminate to OPRA and to all Options Participants the opening trade price, if any. At this point, the BOX trading system is open for trading and all orders and quotes are accepted and processed according to the BOX trading rules. When the BOX Trading Host cannot determine an opening price, but none of the reasons exist for delaying an opening as outlined in paragraph (g) of this Section 9, below, the series will nevertheless move from Pre-Opening Phase to the continuous trading phase.

(g) The BOX Trading Host will not open a series if one of the following conditions is met:

- i. There is a Market Order, Market-on-Opening order or quote with no corresponding order or quote on the opposite side.
- ii. A Market Maker's quote crosses the Theoretical Opening Price ("TOP") by more than "P" percent plus "x" amount of the theoretical opening price. The MRC shall determine what the appropriate "P" percent and "x" amount is for each series.

(h) If one of the conditions in paragraph (g)(i) of this Section 9 is met, the MRC will not open the series but will send a RFQ. MRC will delay the opening of the series until such time as responses to the RFQ from the BOX Market Makers assigned to the class, or other interested trading parties, have been received and booked by the BOX Trading Host and the consequent opening price is deemed compatible with an orderly market.

If one of the conditions in paragraph (g)(ii) of this Section 9 is met, the BOX Trading Host will delay the opening of the series and the Market Operations Center ("MOC") will contact the Market Maker whose quotes caused the delay in the opening of the series to verify his or her quotes. Once the condition has been resolved, the Exchange will expeditiously open the series for trading.

(i) The BOX Trading Host will delay the opening of a class if the sum of the volume for all of the series within a class exceeds "y" series or "z" contracts. The MRC shall determine what the appropriate "y" series and "z" contracts is for each class. If trading is delayed, the MRC will investigate and resolve the cause of the delayed opening and expeditiously open the class for trading.

(j) MRC may order a deviation from the standard manner of the opening procedure, including delaying the opening in any option class, when it believes it is necessary in the interests of a fair and orderly market.

(k) The procedure described in this Section 9 may be used to reopen a class after a trading halt.

Amended.

February 4, 2004.

May 19, 2004.

August 6, 2004.
June 10, 2005.
July 29, 2005.
December 22, 2005.
January 13, 2006.
September 18, 2006.
November 9, 2006.
December 11, 2006.
August 3, 2007.
December 20, 2007.

Sec. 10 Trading Halts

(a) *Halts.* An Options Official may halt trading in any option contract in the interests of a fair and orderly market. The following are among the factors that shall be considered in determining whether the trading in an option contract should be halted:

- i. trading in the underlying security has been halted or suspended in the primary market.
- ii. the opening of such underlying security has been delayed because of unusual circumstances.
- iii. occurrence of an act of God or other event outside BOX's control;
- iv. a Trading Host technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Options Participant trading applications, or the electrical power supply to the system itself or any related system; or;
- v. other unusual conditions or circumstances are present.

(See BSE Rules Chapter I-B, "Business Hours", Section 1, "Primary Session").

(b) In the event an Option Official makes a determination to halt trading, all trading in the effected class or classes of options shall be halted. BOX shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors.

(c) No Options Participant or person associated with a Participant shall effect a trade on BOX in any options class in which trading has been halted under the provisions of this Section 10 during the time in which the halt remains in effect.

Supplementary Material to Section 10

.01 Trading Pauses. Trading on BOX in any option contract shall be halted whenever trading in the underlying security has been paused by the primary listing market. Trading in such options contracts may be resumed upon a determination by the Exchange that the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one exchange.

Amended.

June 10, 2010.

Sec. 11 Resumption of Trading After a Halt

Trading in an option that has been the subject of a halt under Section 10 of this Chapter V shall be resumed upon the determination by an Options Official, that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

Sec. 12 Trading Halts Due To Extraordinary Market Volatility

The Market Regulation Center shall halt trading in all options whenever a marketwide trading halt is initiated on the New York Stock Exchange (commonly known as a "circuit breaker") in response to extraordinary market conditions.

Sec. 13 Reserved.

Amended.

September 18, 2009.

Sec. 14 Order Entry

(a) Orders for option contracts and strategies can be submitted to the Trading Host from commencement of pre-opening until market close. Submitted orders, once validated by the Trading Host, are time-stamped to within one one-hundredth of a second.

(b) On BOX :

- i. a bid is represented as an order to buy ("buy order");
- ii. an offer is represented as an order to sell ("sell order"); and
- iii. an execution, or trade is defined as the matching of a buy order and sell order in the BOX Book.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 6, "Bids and Offers for Stocks").

(c) The following types of orders may be submitted to the Trading Host:

- i. *Limit Order.* Limit Orders entered into the BOX Book are executed at the price stated or better. Any residual volume left after part of a Limit Order has traded is retained in the BOX Book until it is withdrawn or traded (unless a designation described in paragraph (d) below is added which prevents the untraded part of a limit order from being retained). All Limit Orders (with the exception of those with a GTC designation as described in paragraph (d)(i) below) are automatically withdrawn by the Trading Host at market close;
- ii. *BOX-Top Order.* BOX-Top Orders entered into the BOX Book are executed at the best price available in the market for the total quantity

available from any contra bid (offer). Any residual volume left after part of a BOX-Top Order has been executed is automatically converted to a limit order at the price at which the original BOX Top Order was executed;

- iii. *Market-on-Opening Order.* Market-on-Opening Orders entered into the BOX Book are executed on the market opening at the best price available in the market until all available volume on the opposite side of the market has been traded. Any residual volume left after part of a Market-on-Opening Order has been executed is automatically converted to a limit order at the price at which the original Market-on-Opening Order was executed. Market-on-Opening Orders have priority over Limit Orders.
- iv. **Market Order.** Market Orders submitted to BOX are executed at the best price obtainable for the total quantity available when the order reaches the BOX market. Any remaining quantity is executed at the next best price available for the total quantity available. This process continues until the Market Order is fully executed. Prior to execution at each price level, Market Orders are filtered pursuant to the procedures set forth in Chapter V, Section 16(b) of these Rules to avoid trading through the NBBO.
- v. Auto Auction Order. The Auto Auction Order (“AAO”) is a Limit Order that is entered into the Trading Host with a price specified in one-cent increments (the “AAO Maximum Improvement Price”), on a series for which the standard trading increment is greater than one cent. When an AAO is received by the Trading Host it will be rounded to the nearest minimum trading increment (“AAO Limit Price”) as defined in Chapter V, Section 6 of the BOX Rules (rounded up if the order is to sell and rounded down if the order is to buy) and placed on the BOX Book (“AAO Limit Order”).
- vi. *Intermarket Sweep Order.* Intermarket Sweep Order (“ISO”) means a Limit Order that instructs the Exchange to execute the order up to the price of its limit, regardless of the NBBO. ISOs may only be entered with a time-in-force of immediate or cancel, and the entering Options Participant must comply with the provisions of Chapter XII, Section 1(g).
- vii. *Customer Cross Order.* A Customer Cross Order is comprised of a non-Professional, Public Customer Order to buy and a non-Professional, Public Customer Order to sell at the same price and for the same quantity. Customer Cross Orders are automatically executed upon entry provided that the execution is between the best bid and offer on BOX and will not trade through the NBBO.
 - 1) Customer Cross Orders will be automatically canceled if they cannot be executed.
 - 2) Customer Cross Orders may only be entered in the regular trading increments applicable to the options classes under Chapter V, Section 6 of the BOX Rules.
 - 3) Supplementary Material .01 to Chapter V, Section 17 applies to the entry and execution of Customer Cross Orders.

- A) AAO Limit Orders will be processed as provided in Subsection (c)(i) of this Section 14 and executed in accordance with Section 16(a)(iv) of Chapter V.
- B) An AAO Limit Order will participate (subject to Chapter V, Section 18 of the BOX Rules) in any price improvement auction "Improvement Auction" (e.g., PIP) if the AAO Limit Price equals the NBBO on the opposite side of Improvement Auction Order at the commencement of the relevant Improvement Auction. At the conclusion of the Improvement Auction, but prior to trade allocation, the BOX Trading Host will convert the AAO Limit Order to an Improvement Order in the Improvement Auction ("AAO Improvement Order"). Each AAO Improvement Order will be submitted to the Improvement Auction with the following terms:
 - i. The quantity of the AAO Improvement Order shall be the lesser of the remaining quantity of the AAO Limit Order or the quantity of the Improvement Auction Order.
 - ii. The price of the AAO Improvement Order shall be equal to the price of the best Improvement Order, Primary Improvement Order, Unrelated Order or quote but shall not exceed the AAO Maximum Improvement Price.
- C) **Where there are two or more AAO Improvement Orders in a single Improvement Auction at the same price at the conclusion of the Improvement Auction the order(s) having the highest (lowest) AAO Maximum Improvement Price in the case of a buy (sell) will have first priority. If the AAO Improvement Orders have the same AAO Maximum Improvement Price, the AAO Limit Order(s) received by the BOX Trading Host first will have priority.** The size of the AAO Limit Order will be decremented for any executions that may occur during an Improvement Auction prior to the processing of any other Unrelated Orders received by the BOX Trading Host on the opposite side of the market as the AAO Limit Order.
- D) Any residual size remaining after an AAO Limit Order has partially executed on the BOX Book will continue to be eligible to trade in any subsequent Improvement Auctions. Any such residual size will maintain its priority on the BOX Book for purposes of Chapter V, Section 16 of BOX Rules.
- E) Any modification to the AAO Maximum Improvement Price which causes the AAO Limit Price to change will result in a new time priority for the AAO Limit Order that is already on the BOX Book; changes to the AAO Maximum Improvement Price that result in the same AAO Limit Price will not cause a change to the time priority of the AAO Limit Order. Any increase in quantity of the AAO will cause a new time priority to be assigned. AAO Limit Orders may be canceled at any time.
- F) If an AAO is received in the same series and on the opposite side of the market from another AAO that is already on the BOX Book and these orders are marketable at their AAO Maximum Improvement Price, the AAOs will be matched at the mid-point of the two AAO Maximum Improvement Prices, rounded to the nearest penny in favor of the AAO already on the BOX Book. The quantity of the resulting trade will be for the lesser quantity of the two AAOs.
- G) An AAO may be entered only for Public Customer Accounts.

At the opening, Market Orders have priority over Market-on-Opening Orders and Limit Orders. After the opening, when the highest BOX Bid for a series is zero, any Market Order or BOX-Top Order to sell ("Zero Bid Orders") shall be considered a Limit Order to sell at a price, above zero, equal to the minimum trading increment applicable to that particular options series (See Chapter V, Section 6 "Minimum Trading Increments"). If the resulting Limit Order would cause a locked or crossed market, then the original Market Order or BOX-Top Order will be rejected by the Trading Host.

- (d) Where no order type is specified, the Trading Host will reject the order.
- i. The following designations can be added to the order types referred to in paragraph (c) above:
- 1) *Good 'Til Cancelled (GTC)*. A GTC designation can be added to Limit Orders and remain in the BOX Book until the order:
 - a. trades;
 - b. is withdrawn by the relevant responsible trader or BOX at the Options Participant's request;
 - c. is automatically withdrawn by the Trading Host at market close on the date specified at the time of order entry; or
 - d. is automatically cancelled by the Trading Host on expiration of the contract month to which the order related;
 - 2) *Fill and Kill (FAK)*. An FAK designation can be added to Limit Orders. FAK orders are immediately executed against any existing orders at the specified price or better up to the volume of the FAK order. Any residual volume left after part of the FAK order has traded will be automatically cancelled by the Trading Host.
 - 3) *Session Order*. An order with a Session Order designation will remain active in the BOX trading system until one of the following events ("Triggering Event") occurs:
 - a. the connection between the Options Participant and BOX that was used to enter the order is interrupted;
 - b. there is a disconnection between internal BOX components used to process orders, causing a component to lose its connection to the Options Participant or the Trading Host while in possession of the Session Order;
 - c. a component of the Trading Host experiences a system error in which it is unable to process open orders while in possession of the Session Order.

Upon the occurrence of one of these Triggering Events, only those Session Orders residing in the affected BOX internal system(s) will be automatically cancelled by BOX. Any Triggering Events are connection or component specific. When a particular external connection between BOX and the Options Participant is interrupted, only those Session Orders that came through the interrupted connection will be automatically cancelled by BOX. When the Triggering Event is a disconnection between internal BOX components, the BOX system will only automatically cancel Session Orders related to the component that is not "responding". The cancellation of the Session Orders from an affected

connection will neither impact nor determine the treatment of the orders of the same or other Options Participants entered into the Trading Host via a separate and distinct connection. All Session Orders will be cancelled at the end of the normal trading day.

A Session Order will not be cancelled and shall remain active in the BOX market if the order is not allowed to be cancelled pursuant to another BOX Rule or it is in one of the following BOX system processes when a Triggering Event occurs:

- The order is being exposed to the BOX market pursuant to Section 16(b) of Chapter V;
- The order is a Directed Order to which the Executing Participant has not yet responded pursuant to Section 5(c)(ii) of Chapter VI;
- The order has been routed away to an away exchange pursuant to Section 5 of Chapter XII;

The Session Order duration type is not available for PIP Orders, Primary Improvement Orders or Improvement Orders.

Amended.

October 13, 2010.

(e) The identity of Options Participants who submit orders to the Trading Host will remain anonymous to market participants at all times, except orders submitted through the Directed Order process, during error resolution or through the normal clearing process as set forth in Chapter V, Section 16(a)(vi) of these Rules.

Supplementary Material to Chapter V. Section 14(e)

.01 The Options Participant identification number ("Participant ID") of an OFP who submits orders to the Trading Host for use in the Directed Order process will be revealed to the Market Maker who receives such Directed Orders as set forth in Chapter VI, Section 5(c) of these Rules.

(f) Orders can be edited once they are held in the BOX Book. Editing of orders may be applied to price, volume and cancellation date (for GTC orders). The time-stamp assigned by the Trading Host at the entry of the original order will be updated if either the price is changed or the volume increased (i.e., the order will assume an inferior position in the time priority "queue"). A reduction in volume or an amendment to the cancellation date has no effect on the time-stamp.

(g) Orders held in the BOX Book can be withdrawn, individually or as a block, by the relevant Participant or under his authority.

(h) All orders with the exception of GTC orders will be purged at market close. All orders, including GTC orders, will be cancelled at close of business on the last trading day of the expiration month to which they relate.

(i) In the event of failure of the Trading Host, all orders will be represented in the pre-opening phase upon return of system functionality pursuant to the procedures established under Section 9 of this Chapter V. (See also Section 27 of this Chapter V).

Amended.

June 10, 2005.
March 20, 2006.
June 30, 2006.
September 19, 2006.
December 11, 2006.
August 3, 2007.
April 9, 2009.
August 18, 2009.
March 1, 2012.

Sec. 15 Audit Trail

(a) *Order Identification.* When entering orders on BOX, each Options Participant shall submit order information in such form as may be prescribed by BOXR in order to allow BOX to properly prioritize and match orders pursuant to Section 16 of this Chapter V and report resulting transactions to the Clearing Corporation. An Options Participant must ensure that each options order received from a Customer for execution on BOX is recorded on an order ticket and time-stamped immediately. The order ticket must be time-stamped again on execution and also at the time of any modification or cancellation of the order by the Customer.

(b) Order tickets relating to BOX must contain the following information at a minimum:

- i. a unique order identification;
- ii. the underlying security;
- iii. opening/closing designation;
- iv. the identity of the Clearing Participant;
- v. Options Participant identification;
- vi. Participant Capacity;
- vii. identity of the individual/terminal completing the order ticket;
- viii. customer identification;
- ix. account type;
- x. buy/sell;
- xi. contract volume;
- xii. contract month;
- xiii. exercise price;
- xiv. put/call;
- xv. price or price limit, price range or strategy price;
- xvi. special instructions (e.g., GTC); and
- xvii. strategy type indicator;

xviii. and such other information as may be required by BOX.

(c) An Options Participant that employs an electronic system for order routing or order management which complies with BOX requirements will be deemed to be complying with the requirements of this Section if the required information is recorded in electronic form rather than in written form.

(d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Section must be retained by Options Participants for a period of no less than three (3) years after the date of the transaction.

Supplementary Material to Section 15:

While the identity of the individual/terminal completing the order ticket and the customer identification (the specific customer or account number) are not submitted in the order entry system, this type of specific information should be maintained as part of the Participant's books and records requirements, and if requested, must be provided to the Exchange. (See BOX Rules Chapter V, Section 1(b)(iv) and Chapter VIII (Records, Reports and Audits)).

Amended.

September 26, 2006.
August 25, 2009.

Sec. 16 Execution and Price/Time Priority

(a) BOX shall display to Options Participants market information in the manner described in subsection (a) ii. BOX will also disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between BOX and OPRA in the manner described in subsection (a) iii.

i. *Ranking.* Orders of Options Participants shall be ranked and maintained in the BOX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry in the following manner.

- 1) Limit Orders, with no other conditions, shall be ranked ahead of all other orders based on the specified limit price and the time of original order entry.
- 2) Conditional orders shall be ranked behind all unconditional Limit Orders at the specified limit price based upon the time of order entry with earlier orders receiving priority.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 6, "Bids and Offers for Stocks").

ii. *Display.* BOX makes the proprietary High Speed Vendor Feed ("HSVF") of BOX market information available at no cost to all Participants. The HSVF contains the following information:

- (1) Trades and trade cancellation information;

- (2) Best-ranked price level to buy and the best ranked price level to sell;
- (3) Instrument summaries (including information such as high, low, and last trade price and traded volume);
- (4) The five best limit prices for each option instrument;
- (5) Request for Quote messages (see Chapter I, Section 1(a)(58), Chapter V, Section 9(h) and Chapter VI, Section 6);
- (6) PIP Order, Improvement Order and Block Trade Order (Facilitation and Solicitation) information (as set forth in Sections 18 and 31 of Chapter V of the BOX Rules, respectively);
- (7) Orders exposed at NBBO (as set forth in Chapter V, Section 16(b)iii and Chapter VI, Section 5(c) iii of the BOX Rules, respectively);
- (8) Instrument dictionary (e.g. strike price, expiration date, underlying symbol, price threshold, and minimum trading increment for instruments traded on BOX);
- (9) Options class and instrument status change notices (e.g., whether an instrument or class is in pre-opening, continuous trading, closed, halted, or whether prohibited from trading); and
- (10) Options class opening time.

iii. *Dissemination.* The best-ranked price level to buy and the best ranked price level to sell in the BOX Book and the aggregate size of orders associated with such prices shall be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 under the Exchange Act.

iv. *Order Matching and Trade Priority.* The Trading Host accepts buy and sell orders in the respective sequence in which the Trading Host receives such orders. The following criteria will determine order matching and trade execution priority:

1) *Price.* A buy order at the highest price and a sell order at the lowest price have priority over other orders in the same series/strategy; and

2) *Time.* A buy/sell order at the best price will trade in sequence according to the time it was accepted by the Trading Host, from earliest time stamp to latest.

3) *Trade.* A trade occurs when orders or quotations match in the Trading Host. An order entered into the Trading Host that matches an order in the Trading host will trade at the price of the order in the Trading Host up to the available size.

4) Exception: Options Participant Match Trade Prevention

a. An Options Participant may direct that its Market Maker or proprietary broker-dealer orders entered on BOX not execute against Market Maker quotes or orders, or proprietary broker-dealer orders that originated from such Options Participant and were resting on the BOX Book. In such a case, the quantity of the incoming order that would otherwise trade against the quote/order from the same Participant will be cancelled back to the entering party.

b. A Participant's written direction shall be effective at the beginning of the trading session following MOC's written confirmation to the

Participant of receipt of such Participant's written direction.

- c. Such direction shall be effective until the Participant receives MOC's written confirmation of the Participant's written direction to discontinue the effectiveness of the exception for such Participant.
- d. BOX MOC will act on all Participant directions received pursuant to this subparagraph 4 no later than the beginning of the trading session on the second day following MOC's receipt of such Participant's direction.

Any unexecuted portion of a UPIP Order will trade as specified above except, however, that the same beneficial account: (1) who submits an Improvement Order(s) in the UPIP auction that executes with the UPIP Order; and (2) who had a quote(s) and/or order(s) on the BOX Book before the Eligible Order, as defined in Section 29(e) of this Chapter V, was received by the Trading Host, will receive priority for the beneficial account's quote(s) and/or order(s) on the BOX Book over all other quotes and orders except Customer Orders. This priority will only be granted for the same quantity of the Improvement Order submitted by the beneficial account in the UPIP auction. In the case where two or more quotes or orders qualify for this priority, the priority among them will be according to the time of receipt on the BOX Book of the order or quote.

- v. Where the BOX market is crossed (bids higher than offers) at market open, BOX will determine the price at which the maximum volume can be traded and automatically execute trades accordingly, pursuant to Section 9 of this Chapter V. Any orders executed in this way will be traded at a price equal to or better than that at which they were entered and any untraded bids and/or offers will remain on the BOX Book.
- vi. The details of each trade on BOX will be automatically reported by the Trading Host to the Trade Reporting System. All post-trade details will be published on an anonymous basis. However, for each trade, counterparty details will be made available after the trade is executed to Options Participants that were party to the trade through the normal clearing process. Options Participants are required to keep this information confidential and not allowed to disclose it to any person other than those who are required to know it, or their professional advisers, except where required by law or applicable regulation.
- vii. Options Participants are required to make available personnel responsible for the resolution of trade processing queries, trade disputes and "out trades" when required to do so by BOX.

(b) Filtering of BOX In-Bound Orders to Prevent Trade-Throughs.

- i. With the exception of Improvement Orders and Primary Improvement Orders submitted during a PIP (which are processed in accordance with section 18 of this Chapter V), Directed Orders (which are processed in accordance with section 5, subsections b and c, of Chapter VI) and ISOs (as this term is defined in Section 14 of this Chapter V and Section 1(h) of Chapter XII herein) all inbound orders to BOX (whether on behalf of Customers, non-BOX Participant broker-dealer proprietary accounts or market makers at other exchanges) will be filtered by the Trading Host prior to entry on the BOX Book to ensure that these orders will not:

1) in the case of a sell order, execute at a price below the NBBO bid price

-or-

2) in the case of a buy order, execute at a price above the NBBO offer price.

All of the filtering rules described in this section are independent of whether the NBBO is locked or crossed or not, except where the BOX best price on the same side of the market as the inbound order has crossed or locked, or is crossed or locked by, the opposite side NBBO, the order will be routed, if eligible, or rejected immediately.

ii. If the order is a BOX-Top Order, the Trading Host will handle the order in the following manner:

- 1) In the case where the best price on the BOX Book on the opposite side of the market from the BOX-Top order is equal to the NBBO, the BOX-Top Order will be executed for all the quantity available at this price. Any remaining quantity will be converted to a Limit Order at this execution price pursuant to Section 14(c)(ii) of this Chapter V and filtered as described in subparagraph b(iii) below.
- 2) In the case where the best price on the BOX Book on the opposite side of the market from the BOX-Top Order is not equal to the NBBO, the BOX-Top Order will be converted to a Limit Order for its total quantity at the then current NBBO pursuant to Section 14(c)(ii) of this Chapter V and filtered as described in subparagraph b(iii) below.

If the Order is a Market Order, the Trading Host will handle the order in the following manner:

- 1) In the case where the best price on the BOX Book on the opposite side of the market is equal to the NBBO, the Market Order will be executed for all the quantity available at this price. Any remaining quantity will be filtered as described in subparagraph b(iii) below.
- 2) In the case where the best price on the BOX Book on the opposite side of the market from the Market Order is not equal to the NBBO, the Market Order will be filtered as described in subparagraph b(iii) below.

iii. The Trading Host will filter the relevant orders as follows:

The filter will determine if the order is executable against the NBBO (an order is deemed "executable against the NBBO" when, in the case of an order to sell(buy), its limit price is equal to or lower(higher) than the best bid(offer) across all options exchanges. By definition, a BOX-Top Order or a Market Order is executable against the NBBO).

- 1) If the order is not executable against the NBBO, the order will be

placed on the BOX Book.

- 2) If the order is executable against the NBBO, the filter will determine whether there is a quote on BOX that is equal to the NBBO.
 - a. If there is a quote on BOX that is equal to the NBBO, then the order will be executed against the relevant quote. Any remaining quantity of the order is exposed on the BOX Book at the NBBO for a period of one second. If the order is not executed during the one second exposure period, then the order will be handled by the Trading Host pursuant to subparagraph b(iii)(2)(c) below.

- or -

- b. If there is not a quote on BOX that is equal to the NBBO, then the order is exposed on the BOX Book at the NBBO for a period of one second. If the order is not executed during the one second exposure period, then the order will be handled by the Trading Host pursuant to subparagraph b(iii)(2)(c) below.
- c. At the end of the one second exposure period, any unexecuted quantity will be handled by the Trading Host in the following manner:
 1. If the best BOX price is now equal to the NBBO, the remaining unexecuted quantity will be placed on the BOX Book and immediately executed against that quote. Any remaining quantity will be i) in the case of Public Customer Eligible Orders, routed to one or more Away Exchanges displaying the NBBO, or ii) in the case of market maker or proprietary broker-dealer orders, returned to the submitting Options Participant; or
 2. If the best BOX price is not equal to the NBBO, any remaining unexecuted quantity will be i) in the case of Public Customer Eligible Orders, routed to one or more Away Exchanges displaying the NBBO, or ii) in the case of market maker or proprietary broker-dealer orders, returned to the submitting Options Participant.
- iv. Notwithstanding the foregoing, if an Order is submitted while a PIP is in progress, and the Order is in the same series and on the opposite side of the Customer Order submitted to the PIP (the "PIP Order"), under the circumstances set forth in Section 18(i) of this Chapter V, the Order will be immediately executed against the PIP Order up to the lesser of (a) the size of the PIP Order, or (b) the size of the Order, at a price equal to either (i) one penny better than the NBBO or (ii) the NBBO. The remainder of the Order, if any, continues to be filtered as set forth in this Section 16(b).

Amended.

June 10, 2005.
December 6, 2006.
July 30, 2007.
January 18, 2008.
August 18, 2009.
July 24, 2010.
October 31, 2011.
March 2, 2012.
May 3, 2012.

Sec. 17 Customer Orders and Order Flow Providers

(a) Order Flow Providers (OFP) are those Options Participants representing as agent Customer Orders on BOX. OFPs may register as Market Makers, but are not required to do so.

(b) Options Participants may trade as principal, both as contra party to Customer Orders submitted to BOX by such Options Participant and as contra party to other Options Participants' orders. However, Options Participants may only seek to act as contra party to their own Customer Orders pursuant to Supplementary Material in .02 and .03 to this Section 17 set forth below.

(c) Reserved.

Supplementary Material to Section 17

.01 This Section prevents an Options Participant executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on BOX an opportunity to trade with the agency order pursuant to Section 18 (Price Improvement Period) or Section 31 (Block Trades) of this Chapter V. However, BOXR recognizes that it may be possible for an Options Participant to establish a relationship with a Customer or other person (including affiliates) to deny agency orders the opportunity to interact on BOX and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of this Section for an Options Participant to circumvent this Section by providing an opportunity for a Customer or other person (including affiliates) to execute against agency orders handled by the Options Participant immediately upon their entry into the Trading Host.

.02 If an Options Participant fails to expose its Customer Order on BOX, it will be a violation of this Section 17 for an Options Participant to cause the execution of an order it represents as agent on BOX through the use of orders it solicited from Options Participants and/or non-Participant broker-dealers to transact with such orders, whether such solicited orders are entered into the BOX market directly by the Options Participant or by the solicited party (either directly or through another Participant), unless (i) the agency order is first exposed to the BOX Book for at least one (1) second, (ii) the Options Participant utilizes the Solicitation Auctions pursuant to Section 31(b) of this Chapter V or (iii) the Options Participant utilizes the Price Improvement Period pursuant to Section 18 of this Chapter V.

.03 An OFP may not execute as principal an order it represents as agent unless, (i) the agency order is first exposed to the BOX Book for at least one (1) second, or (ii) the OFP has been bidding or offering on BOX for a least one (1) second prior to receiving an agency order that is executable against such bid or offer; or (iii) the OFP sends the agency order to the Price Improvement Period or Universal

Price Improvement Period process pursuant to Sections 18 and 29 of this Chapter V; or (iv) the OFP sends the agency order to the Facilitation Auction pursuant to Section 31(a) of this Chapter V.

.04 Prior to submitting an order to BOX, including the Price Improvement Period process, the Facilitation Auction, or Solicitation Auction, an Options Participant cannot inform an Options Participant or any other third party of any of the terms of the order, except as provided for in Chapter VI, Section 5(c) of these Rules. (See BSE Rules, Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

Amended.

May 24, 2006.

January 18, 2008.

March 27, 2009.

May 3, 2010.

September 23, 2011.

March 1, 2012.

Sec. 18 The Price Improvement Period ("PIP")

(a) The execution of price improvement transactions via the BOX market is permitted under certain circumstances subject to the procedures detailed in Sections 18, 19 and 29 of this Chapter V. In compliance with these procedures, price improvement transactions for Customer Orders may be consummated with the Options Participant who submits the order, with other Options Participants, Improvement Orders or "Unrelated Orders".

Note: For purposes of Sections 18, 19 and 29 of this Chapter V, an "Unrelated Order" shall be defined as a non-Improvement Order entered into the BOX market during a PIP or a Universal Price Improvement Period ("UPIP").

(b) Options Participants must ensure that, when executing Customer Orders by way of the Price Improvement Period, they comply with all the procedures set forth in these Rules for such transactions; that they act with due skill, care and diligence, and that the interests of their Customers are not prejudiced.

(c) An OFP may not execute as principal an order it represents as agent unless it complies with the provisions of Section 17 of this Chapter V or the OFP sends the agency order to the PIP process pursuant to the rules described below.

(d) An Options Participant must not use the PIP system to create a misleading impression of market activity (i.e., the facilities may be used only where there is a genuine intention to execute a bona fide transaction).

(e) Options Participants, both OFPs and Market Makers, ("Initiating Participants"), executing agency orders may designate BOX-Top Orders, Market Orders, and marketable limit Customer Orders for price improvement and submission to the PIP. Customer Orders designated for the PIP (PIP Orders) shall be submitted to BOX with a matching contra order, the "Primary Improvement Order", equal to the full size of the PIP Order. The Primary Improvement Order shall be on the opposite side of the market than that of the PIP Order and represents either: (i) a single price ("Single-Priced Primary Improvement Order") that is equal to or better than that of the NBBO at the time of the commencement of the PIP; or (ii) an auto-match submission that will automatically match both the price and size of all competing quotes and orders at any price level achieved during the PIP or only up to a limit price ("Max Improvement Primary Improvement

Order"). Either the Single-Priced Primary Improvement Order or the Max Improvement Primary Improvement Order will designate the PIP auction start price ("PIP Start Price"), which shall be equal to or better than the NBBO at the time of commencement of the PIP. BOX will commence a PIP by broadcasting a message to Participants that (1) states that a Primary Improvement Order has been processed; (2) contains information concerning series, size, PIP Start Price and side of the market, and; (3) states when the PIP will conclude ("PIP Broadcast").

- i. The PIP shall be one hundred milliseconds, commencing upon the dissemination of the PIP Broadcast. At the commencement of the PIP, all quotes and orders on the BOX Book prior to the PIP Broadcast that are equal to or better than (a) the Single-Priced Primary Improvement Order price or (b) the PIP Start Price of a Max Improvement Primary Improvement Order, except any proprietary quote or order from the Initiating Participant, will be immediately executed against the PIP Order in price/time priority. Such proprietary quote or order shall not be executed against the PIP Order during or at the conclusion of the PIP.

During the PIP, Order Flow Providers and Market Makers (except for the Initiating Participant) may submit competing orders, "Improvement Orders," for their own account. Order Flow Providers may submit Improvement Orders for the account of a Public Customer under any type of instruction they wish to accept. Order Flow Providers may also provide access to the PIP on behalf of a Public Customer in the form of a CPO or for any account except Market Maker (as set forth in subparagraph (g) below). An Improvement Order submitted to the PIP for the account of a Public Customer, including a CPO or an AAO, must be identified as a Public Customer Order. Option Participants who submit Improvement Orders for a PIP, including CPOs and AAOs, shall be deemed "PIP Participants" for that specific PIP only, and may continually submit competing Improvement Orders during that PIP. During the PIP, Improvement Orders shall be disseminated solely to Option Participants.

- ii. The Initiating Participant is not permitted to cancel or to modify the size of its Single-Priced Primary Improvement Order or the PIP Order at any time during the PIP, and may modify only the price of its Single-Priced Primary Improvement Order by improving it. The subsequent price modifications to a Single-Priced Primary Improvement Order are treated as new Improvement Orders for the sake of establishing priority in the PIP process. The Initiating Participant is not permitted to cancel or to modify the Max Improvement Primary Improvement Order, including the PIP Start Price, the designated limit price or the size.

Options Participants that are permitted to submit Improvement Orders (as set forth in subparagraph i. above) may: (1) submit competing Improvement Order(s) for any size up to the size of the PIP Order; (2) submit competing Improvement Order(s) for any price equal to or better than the PIP Start Price; (3) improve the price of their Improvement Order(s) at any point during the PIP; and (4) decrease the size of their Improvement Order(s) only by improving the price of that order. Improvement Orders may be submitted in one-cent increments.

- iii. At the conclusion of the PIP, the PIP Order shall be matched against the best prevailing quote(s) or order(s) on BOX (except any pre-PIP Broadcast proprietary quote or order from the Initiating Participant), in accordance with price/time priority as set forth in Section 16 of this Chapter V, whether Improvement Order(s), including CPO, AAOs, or Unrelated Order(s) received by BOX during the PIP (excluding Unrelated Orders that were immediately executed during the interval of

the PIP). Such Unrelated Orders may include agency orders on behalf of Public Customers, market makers at away exchanges and non-BOX Participant broker-dealers, as well as non-PIP proprietary orders submitted by Option Participants.

- iv. The only exceptions to time priority are: (1) no order for a non-market maker broker-dealer account of an Options Participant may be executed before all Public Customer order(s), whether an Improvement Order, including a CPO or an AAO, or unrelated, and all non-BOX Participant broker-dealer order(s) at the same price have been filled; (2) as provided in paragraph (f) of this Section 18; and (3) as provided in paragraphs (b) and (c) of Section 19 below. Any portion of an Improvement Order left unfilled shall be cancelled.

(f) The Initiating Participant retains certain priority and trade allocation privileges upon conclusion of the PIP, as follows:

- i. In instances in which a Single-Priced Primary Improvement Order, as modified (if at all), is matched by or matches any competing Improvement Order(s) and/or non-Public Customers unrelated order(s) at any price level, the Initiating Participant retains priority for only forty percent (40%) of the original size of the PIP Order, notwithstanding the time priority of the Primary Improvement Order, competing Improvement Order(s) or non-Public Customer unrelated order(s). The Initiating Participant will receive additional allocation only after all other orders have been filled at that price level.
- ii. In instances in which a Max Improvement Primary Improvement Order is submitted by the Initiating Participant, the Initiating Participant shall be allocated its full size at each price level, except where restricted by the designated limit price and subject to the limitations in paragraph f(iii) of this Section 18, until a price level is reached where the balance of the PIP Order can be fully executed. Only at such price level will the Initiating Participant retain priority for only forty percent (40%) of the remaining size of the PIP Order.
- iii. The Primary Improvement Order shall yield priority to certain competing orders in the following circumstances:
 1. When a Single-Priced or Max Improvement Primary Improvement Order for the proprietary account of an OFP is matched by or matches any competing Public Customer order(s), whether an Improvement Order, including a CPO, an AAO, or Unrelated Order(s), or any non-BOX Participant broker-dealer order(s) at any price level, it shall yield priority to them, including any priority provided pursuant to subparagraph f(i) or f(ii), above.
 2. When the unmodified Single-Priced Primary Improvement Order for the account of a Market Maker is matched by any competing Public Customer order(s), whether an Improvement Order, including a CPO, an AAO, or Unrelated Order(s), or any non-BOX Participant broker-dealer order(s) at the initial PIP price level, it shall yield priority to all competing Public Customer order(s) or non-BOX Participant broker-dealer order(s), including any priority provided pursuant to subparagraph f(i) or f(ii), above.
 3. When the Max Improvement or the modified Single-Priced Primary Improvement Order for the account of a Market Maker matches any

competing Public Customer order(s), whether an Improvement Order, including a CPO, an AAO, or Unrelated Order, or any non-BOX Participant broker-dealer order(s) at subsequent price levels, it shall yield priority to all competing Public Customer order(s) or non-BOX Participant broker-dealer order(s), including any priority provided pursuant to subparagraph f(i) or f(ii), above.

- iv. In all cases in which the Primary Improvement Order has priority pursuant to the provisions of (i), (ii) or (iii), above, it shall be entitled to a trade allocation of at least one (1) contract.
- v. At its option, the Initiating Participant may designate a lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the PIP auction than the forty (40%) of the PIP Order it is entitled to pursuant to the provisions of subparagraph f(i) or f(ii), above. When starting a PIP, the Initiating Participant may submit to BOX the Primary Improvement Order with a designation of the total amount of the PIP Order it is willing to "surrender" to the other PIP Participants ("PIP Surrender Quantity"). The PIP Surrender Quantity shall not be effective for any amount that is less than or equal to sixty percent (60%) of the PIP Order. In no case shall the PIP Surrender Quantity function result in more than the maximum allowable allocation percentage to the Initiating Participant than that which the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Section 18.

Upon the conclusion of the PIP auction, when the Trading Host determines the priority and trade allocation amounts for the Initiating Participant pursuant to subparagraph f(i) or f(ii), above, the Trading Host will automatically adjust the trade allocations to the other PIP Participants, according to the priority set forth in subparagraphs e(iii) and e(iv) above, up to the PIP Surrender Quantity. The Primary Improvement Order shall be allocated the remaining size of the PIP Order above the PIP Surrender Quantity, if any, pursuant to subparagraph f(i) or f(ii), above. If the aggregate size of other PIP Participants' contra orders is not equal to or greater than the PIP Surrender Quantity, then the remaining PIP Surrender Quantity shall be left unfilled and the Primary Improvement Order shall be allocated the remaining size of the PIP Order pursuant to subparagraph f(i) or f(ii), above.

Note: It shall be considered conduct inconsistent with the just and equitable principles of trade for any Initiating Participant to engage in a pattern of conduct where the Initiating Participant submits Primary Improvement Orders into the PIP process for 2 contracts or less for the purpose of manipulating the PIP process in order to gain a higher allocation percentage than the Initiating Participant would have otherwise received in accordance with the allocation procedures set forth in this Section 18.

(g) In addition to Improvement Orders submitted on behalf of Public Customers, OFPs may provide access to the PIP on behalf of a customer that is not a broker-dealer (i.e. Public Customer) in the form of a Customer PIP Order ("CPO") provided that:

- i. The terms of each CPO shall include a price stated in rounded five cent or ten cent increments, as appropriate, ("standard tick") at which the order shall be placed in the BOX Book ("BOX Book Reference Price") as well as a specific price stated in one cent increments ("penny tick") at which the Public Customer wishes to participate in any PIPs ("CPO Auction Reference Price") that may occur while his order is on the BOX Book and displayed at the BOX Book Reference

Price;

- ii. The terms of each CPO shall include a specific order size ("CPO Total Size"). The number of contracts that may be entered into a PIP must be no greater than the lesser of (a) the CPO Total Size remaining on the BOX Book or (b) the size of the Primary Improvement Order submitted to the PIP;
- iii. In order for the CPO to be eligible for participation in a PIP in the subject options series, the BOX Book Reference Price for a CPO at the time a PIP commences must be equal to the best BOX price (i.e. the BBO).
- iv. The CPO may only participate in a PIP on the same side of the market as the Primary Improvement Order.
- v. Upon initiation of a PIP for which a CPO is eligible to participate pursuant to paragraphs (i)-(iv) above, the OFP who submitted the CPO to the BOX Book must submit a CPO to the PIP at a price which is better than the BOX Book Reference Price and at any price level up to the CPO Auction Reference Price. At any time during the PIP, the OFP may modify the price of the CPO submitted to the PIP to any price level up to the CPO Auction Reference Price.

(h) Reserved.

(i) In cases where an unrelated order is submitted to BOX on the same side as the PIP Order, such that it would cause an execution to occur prior to the end of the PIP, the PIP shall be deemed concluded and the PIP Order shall be matched pursuant to paragraph (e)(iii) of this Section 18, above.

Specifically, the submission to BOX of a BOX-Top Order or Market Order on the same side as a PIP Order will prematurely terminate the PIP when, at the time of the submission of the BOX-Top Order or Market Order, the best Improvement Order is equal to or better than the NBBO on the same side of the market as the best Improvement Order. The submission to BOX of a Limit Order on the same side as a PIP Order will prematurely terminate the PIP if at the time of submission:

- i. the Buy (Sell) Limit Order price is equal to or higher (lower) than the National Best Offer (Bid) and either
 - a. the BOX Best Offer (Bid) is equal to the National Best Offer (Bid); or
 - b. the BOX Best Offer (Bid) is higher (lower) than the National Best Offer (Bid) and the price of the best Improvement Order is equal to or lower (higher) than the National Best Offer (Bid); or
- ii. the Buy (Sell) Limit Order price is lower (higher) than the National Best Offer (Bid) and its limit price equals or crosses the price of the best Improvement Order.

Following the execution of the PIP Order, any remaining Improvement Orders are cancelled and the BOX-Top Order, Market Order, or Limit Order is filtered pursuant to Section 16(b) of this Chapter V.

In cases where an unrelated order is submitted to BOX on the opposite side of the PIP Order, such that it would cause an execution to occur prior to the end of the PIP as set forth below, the unrelated order shall be immediately executed against the PIP Order up to the lesser of (a) the size of the PIP Order, or (b) the size of the unrelated order, at a price equal to either (i) one penny better than the NBBO, if the best BOX price on the opposite side of the market from the unrelated order is equal to the NBBO at the time of execution, or (ii) the NBBO. The remainder of the unrelated order, if any, shall be filtered pursuant to Section 16(b) of this Chapter V. The remainder of the PIP Order, if any, shall be executed at the

conclusion of the PIP auction pursuant to Paragraph (e)(iii) of this Section 18, above. Following the execution of the PIP Order, any remaining Improvement Orders are cancelled.

Specifically, a BOX-Top Order or a Market Order on the opposite side of a PIP Order will immediately execute against the PIP Order when, at the time of the submission of the BOX-Top Order or Market Order, the best Improvement Order does not cross the NBBO on the same side of the market as the PIP Order. The submission to BOX of a Limit Order on the opposite side of a PIP Order will immediately execute against a PIP Order when the Sell (Buy) Limit Order price is equal to or crosses the National Best Bid (Offer) and;

- i. the BOX Best Bid (Offer) is equal to the National Best Bid (Offer); or
- ii. the BOX Best Bid (Offer) is lower (higher) than the National Best Bid (Offer) and neither the best Improvement Order nor BOX Best Offer (Bid) is equal to or crosses the National Best Bid (Offer).

It shall be considered conduct inconsistent with just and equitable principles of trade for any Participant to enter unrelated orders into BOX for the purpose of disrupting or manipulating the PIP process.

(j) Improvement Orders, including CPOs and AAOs, must be submitted in increments no smaller than one penny (\$.01). Improvement Orders, including CPOs, will be displayed to BOX Options Participants, but will not be disseminated to OPRA.

(k) Improvement Orders may not be executed unless the price is equal to or better than the NBBO at the commencement of the PIP, except in the following circumstances:

- i. Where an Options Official determines that quotes from one or more particular markets in one or more classes of options are not reliable, the Options Official may direct the senior person in charge of BOX's Market Control Center to exclude the unreliable quotes from the Improvement Period determination of the NBBO in the particular option class(es). The Options Official may determine quotes in one or more particular options classes in a market are not reliable only in the following circumstances:
 - 1) Quotes Not Firm: A market's quotes in a particular options class are not firm based upon direct communication to the Exchange from the market or the dissemination through OPRA of a message indicating that disseminated quotes are not firm;
 - 2) Confirmed Quote Problems: A market has directly communicated to the Exchange or otherwise confirmed that the market is experiencing systems or other problems affecting the reliability of its disseminated quotes.
- ii. The away options exchange posting the NBBO is conducting a trading rotation in that options class.

Supplementary Material to Section 18

.01 During the extended Pilot Period, there will be no minimum size requirement for Customer Orders to be eligible for the PIP process. During this extended Pilot Period, BOX will continue to submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size PIP orders, that there is significant price improvement for all orders executed through the PIP, and that there is an active and liquid market functioning on BOX

outside of the PIP mechanism. Any data which is submitted to the Commission by BOX will be provided on a confidential basis. The Pilot Period shall expire on July 18, 2012.

.02 A PIP will not run simultaneously with another PIP or UPIP in the same series, nor will PIPs or UPIPs interact, queue or overlap in any manner. Any request to initiate a PIP while a PIP/UPIP is already in progress in the same series will be rejected. Any order which would otherwise meet the price conditions to initiate a UPIP which is received while a PIP is underway for the same series will be considered as an Unrelated Order pursuant to paragraph (i) above.

.03 The Trading Host will not accept Improvement Orders that lock or cross the BOX Book on the same side of the market as the PIP Order.

.04 The time priority given to a CPO or an AAO in a PIP will be the order receipt time of the submission of the CPO or AAO.

Amended.

September 23, 2004.

May 3, 2005.

June 10, 2005.

July 28, 2005.

June 29, 2006.

March 7, 2007.

June 26, 2007.

August 3, 2007.

January 18, 2008.

July 18, 2008.

November 5, 2008.

November 17, 2008.

March 27, 2009.

March 30, 2009.

May 7, 2009.

July 13, 2009.

March 25, 2010.

July 9, 2010.

January 19, 2011.

June 29, 2011.

February 2, 2012.

Sec. 19 Market Maker Prime

(a) At the commencement of each PIP, a single Market Maker Prime may be designated for that PIP only. In order to qualify as the Market Maker Prime for a particular PIP, a Market Maker who is participating in a PIP must satisfy the following criteria:

- i. The Market Maker must have a quote at the moment the PIP commences that is equal to the NBBO, on the same side of the market as the Primary Improvement Order.
- ii. The Market Maker's quote must represent an order in the BOX Book with the best price/time priority.
- iii. The Market Maker Prime must not have submitted the Primary Improvement Order to commence the relevant PIP.

(b) The Improvement Order of the Market Maker Prime shall have partial priority over all other Market Maker Improvement Orders, CPOs, PPOs and unrelated orders at the same limit price in the same PIP, pursuant to Paragraph (c) of this Section 19. This priority will only apply if a Market Maker Prime enters an Improvement Order during the PIP, and will not apply to the quote of the Market Maker Prime outside of the PIP process.

(c) An Improvement Order of the Market Maker Prime will have a guaranteed trade allocation of at least one-third of any portion of a Customer Order remaining at the Improvement Order's limit price which has not been previously allocated, in accordance with the allocation provisions set forth in Section 18 of this Chapter V, to the Options Participant who submitted the Primary Improvement Order.

(d) If a Market Maker Prime cancels his quote during the PIP, the Market Maker Prime retains his status as Market Maker Prime for that PIP. Consequently, if the Market Maker Prime subsequently enters an Improvement Order at the best limit price during the PIP, the Market Maker Prime will have priority over all other Market Maker Improvement Orders and unrelated orders at the same limit price.

(e) If a Market Maker Prime changes his quote during the PIP, instead of entering an Improvement Order into the PIP process, the Market Maker Prime does not retain his status as the Market Maker Prime for that PIP. Consequently, subsequent trade matching during the remainder of that PIP will follow the normal PIP priority rules, as set forth in Section 18 of this Chapter V, and the Market Maker Prime's modified quote will be treated as an unrelated order.

Sec. 20 Obvious and Catastrophic Errors

(a) BOXR shall either bust a transaction or adjust the execution price of a transaction that results from an obvious error or catastrophic error as provided in this Section ("Obvious Error" or "Catastrophic Error"; collectively "Errors").

(b) (1) *Definition of Obvious Error.* For purposes of this Section only, an Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2	.25
\$2 to \$5	.40
Above \$5 to \$10	.50
Above \$10 to \$20	.80
Above \$20	1.00

(2) *Definition of Catastrophic Error.* For purposes of this Section only, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price	Minimum Amount
Below \$2	\$1

\$2 to \$5	\$2
Above \$5 to \$10	\$5
Above \$10 to \$50	\$10
Above \$50 to \$100	\$20
Above \$100	\$30

(c) *Definition of Theoretical Price.* For purposes of this Section only, the Theoretical Price of an options series is:

- i. if the series is traded on at least one other options exchange, National Best Bid with respect to an erroneous sell transaction, and National Best Offer with respect to an erroneous buy transaction, just prior to the trade in question; or
- ii. if there are no quotes for comparison purposes, as determined by the MRC.

(d) *Erroneous Print in Underlying.* A trade resulting from an erroneous print disseminated by the underlying market which is later cancelled or corrected by that underlying market may be nullified as set forth in subsection (f) below. In order to be nullified, however, the trade must be the result of an erroneous print that is higher or lower than the average trade in the underlying security during a two-minute period before and after the erroneous print by an amount at least five times greater than the average quote width for such underlying security during the same period. For purposes of this paragraph, the average trade in the underlying security shall be determined by adding the prices of each trade during the four minute time period referenced above (excluding the trade in question) and dividing by the number of trades during such time period (excluding the trade in question). For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of each separate quote during the four minute time period referenced above (excluding the quote in question) and dividing by the number of quotes during such time period (excluding the quote in question).

(e) *Erroneous Quote in Underlying.* Trades resulting from an erroneous quote in the underlying security may be adjusted or busted as set forth in subsection (f) below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security on the primary market (as defined in Chapter I, Section 1(51)) during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of each separate quote during the four minute time period referenced above (excluding the quote in question) and dividing by the number of quotes during such time period (excluding the quote in question).

(f) *Obvious Error Procedure.* Designated personnel in the MRC shall administer the application of this Rule as follows.

- i. Notification. If a market maker¹ believes that it participated in a transaction that was the result of an Obvious Error, it must notify MOC within five (5) minutes of the execution. If a non Market Maker Options Participant believes an order it executed on BOX was the result of an

¹ For purposes of this Section 20, a reference to a market maker includes a Market Maker on BOX and also includes transactions which are sent by a market maker on another exchange where the order is designated with a market maker account type in the BOX Trading Host.

Obvious Error, it must notify MOC within twenty (20) minutes of the execution. Except as provided below, no relief under this Section will be provided unless notification is made within the prescribed time periods.

- ii. Adjust or Bust. MRC will determine whether there was an Obvious Error as defined above. If it is determined that an Obvious Error has occurred, MRC shall take one of the actions listed below. Upon taking final action, the MRC shall promptly notify both parties to the trade.
 - 1). Where each party to the transaction is a market maker, the execution price of the transaction will be adjusted by the MRC to the prices provided in subparagraphs (a) and (b) below unless both parties agree to adjust the transaction to a different price or agree to bust the trade within ten (10) minutes of being notified by MRC of the Obvious Error.
 - a. Erroneous buy transactions will be adjusted to their Theoretical Price (1) plus \$.15 if the Theoretical Price is under \$3, and (2) plus \$.30 if the Theoretical Price is at or above \$3.
 - b. Erroneous sell transactions will be adjusted to their Theoretical Price (1) minus \$.15 if the Theoretical Price is under \$3, and (2) minus \$.30 if the Theoretical Price is at or above \$3.
 - 2). Where one party to the transaction is not a market maker and the other party to the transaction is a market maker, the non-market maker party may either elect to have the transaction adjusted according to the guidelines set forth in Paragraph 1 subparagraphs (a) and (b) above, or busted by the MRC.
 - 3). Where neither party to the Obvious Error is a market maker, the trade will be busted by the MRC unless both parties agree to an adjustment price for the transaction within thirty (30) minutes of being notified by MRC of the Obvious Error.

(g) *Catastrophic Error Procedure.* Designated MRC personnel shall administer the application of this Rule as follows.

- i. Notification. If a Participant believes that it has participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (c) above, it must notify MOC by 8:30 a.m. Eastern Time on the first trading day following the date the Catastrophic Error occurred. For transactions in an expiring options series that take place on expiration Friday, a Participant must notify MOC by 5:00 p.m. Eastern Time that same day. Relief will not be granted under this paragraph: (1) unless notification is made within the prescribed time period; and (2) if the MRC has previously rendered a decision with respect to the transaction(s) in question.
- ii. Catastrophic Error Determination. The MRC will determine whether the transaction(s) qualifies as a Catastrophic Error. If it is determined that a Catastrophic Error has occurred, the BOXR Chief Regulatory Officer or an Options Official, who is not a Participant, designated by the CRO ("CRO or designee") will instruct the MRC to adjust the execution price of the transaction(s)

according to subparagraph (iii) below. All determinations by the CRO or designee shall constitute final Exchange action on the matter at issue.

- iii. Adjustment. If it is determined that a Catastrophic Error has occurred, unless both parties agree to adjust the transaction(s) to a different price, the execution price of the transaction(s) will be adjusted to the Theoretical Price (1) plus the adjustment value provided below for erroneous buy transactions, and (2) minus the adjustment value provided below for erroneous sell transactions:

Theoretical Price	Adjustment Value
Below \$2	\$1
\$2 to \$5	\$2
Above \$5 to \$10	\$3
Above \$10 to \$50	\$5
Above \$50 to \$100	\$7
Above \$100	\$10

(h) Request for Review. If a party affected by a determination made under Subsection (f) of this Rule so requests within the time permitted below, the BOXR Chief Regulatory Officer will review decisions made by the MRC under this Rule, including whether an Obvious Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price. A party may also request that the BOXR Chief Regulatory Officer provide relief under this Rule in cases where the party failed to provide the notification required in paragraph (f)(i) and MRC declined to grant an extension, but unusual circumstances must merit special consideration. A request for review must be made in writing within thirty (30) minutes after a party receives verbal notification of a final determination by MRC under this Rule, except that if notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time the next trading day to request review. The BOXR Chief Regulatory Officer shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 on the day of the transaction or where the request is properly made the next trade day.

(i) Decision. The BOXR Chief Regulatory Officer may overturn or modify an action taken by MRC under Subsection (f) of this Rule. All determinations by the BOXR Chief Regulatory Officer shall constitute final Exchange action on the matter at issue.

(j) Mutual Agreement. The determination as to whether a trade was executed in error may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree. In the absence of mutual agreement by the parties, a particular trade may only be nullified or adjusted when the transaction results in an Error as provided for in this Section.

Supplementary Material to Section 20

.01 When MRC determines that an Error has occurred and action is warranted under paragraphs (f) or (g) above, the identity of the parties to the trade will be disclosed to each other in order to encourage conflict resolution.

.02 Buyers of options with a zero bid may request that their execution be busted if at least one strike

below (for calls) or above (for puts) in the same options class were quoted with a zero bid at the time of execution. Such buyers must follow the procedures of Paragraph (f)(i) or (g) above.

.03 For the purposes of this Section 20, an "erroneous sell transaction" is one in which the price received by the person selling the option is erroneously low, and an "erroneous buy transaction" is one in which the price paid by the person purchasing the option is erroneously high.

Amended.

May 16, 2006.
June 28, 2007.
April 7, 2008.
May 23, 2008.
December 24, 2008.
August 18, 2009.
December 22, 2011.
January 20, 2012.

Sec. 21 Transaction Price Binding

The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was reported to have been executed in error. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 3, "Bids and Offers Binding").

Sec. 22 Clearing Participant Give Up

An Options Participant must give up the name of the Clearing Participant through which the transaction will be cleared. If there is a subsequent change in identity of the Clearing Participant through whom a transaction will be cleared, the Options Participant must, as promptly as possible, report such change to BOX. (See BSE Rules Chapter VII, "Carrying of Accounts", Section 4, "Give-Ups").

Sec. 23 Submission for Clearance

(a) All options transactions effected on BOX shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation. Every Clearing Participant shall be responsible for the clearance of BOX Transactions of such Clearing Participant and of each Options Participant that gives up such Clearing Participant's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such Clearing Participant to such Options Participant, which authorization must be submitted to BOXR.

(b) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, BOX shall furnish the Clearing Corporation a report of each Clearing Participant's matched trades.

Sec. 24 Contracts of Suspended Participants

(a) When an Options Participant, other than a Clearing Participant, is suspended pursuant to former Chapter IX of these Rules (Summary Suspension), all open short positions of the suspended Options Participant in options contracts and all open positions resulting from exercise of options contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all Participants carrying such positions for the account of the suspended Participant; provided that BOXR may cause the foregoing

requirement to be temporarily waived for such period as it may determine if it shall deem such temporary waiver to be in the interest of the public or the other Participants of BOX. (See BSE Rules Chapter VI, "Failure to Fulfill Contracts", generally).

(b) No temporary waiver hereunder by BOXR shall relieve the suspended Options Participant of its obligations or of damages, nor shall it waive the close out requirements of any other Rules. (See BSE Rules Chapter VI, "Failure to Fulfill Contracts", generally).

(c) When a Clearing Participant is suspended pursuant to former Chapter IX (Summary Suspension) of these Rules, the positions of such Clearing Participant shall be closed out in accordance with the Rules of the Clearing Corporation.

Amended.

May 14, 2012.

Sec. 25 Failure to Pay Premium

(a) When the Clearing Corporation shall reject a BOX Transaction because of the failure of the Clearing Participant acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Options Participant acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice thereof to the Clearing Participant or to enter into a closing writing transaction in respect of the same options contract that was the subject of the rejected BOX Transaction for the account of the defaulting Clearing Participant.

(b) Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. EST on the business day following the day the BOX Transaction was rejected by the Clearing Corporation.

Sec. 26 Limitation of Liability

(a) The Exchange, BOXR, BOX, and any of their respective affiliates, and their respective directors, officers, committee members, employees, contractors, and agents or other persons acting on their behalf ("Exchange Related Persons and/or Entities") will not be liable to Options Participants or users for any loss, damages, claim or expense:

- i. growing out of the use or enjoyment of BOX or the Trading Host; or
- ii. arising from or occasioned by any inaccuracy, error or delay in, or omission of or from the collection, calculation, compilation, maintenance, reporting or dissemination of any information derived from BOX, resulting either from any act or omission by any Exchange Related Persons and/or Entities, or from any act, condition or cause beyond the reasonable control of any Exchange Related Persons and/or Entities, including but not limited to flood, extraordinary weather conditions, earthquakes or other acts of God, fire, war, terrorism, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction;
- iii. Generally, in the event of a BOX market outage, or interruption of service, a loss pertaining to an order that is entered into BOX will be absorbed by the order entering Participant organization.

Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any

loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(b) Exchange Related Persons and/or Entities shall not be liable to Options Participants nor any persons associated with Participants for any loss, expense, damages or claims arising out of the use of the facilities, systems or equipment afforded by BOX in relation to the BOX market, or any interruption in or failure or unavailability of any such facilities, systems or equipment, whether or not such loss, expense, damages or claims result or are alleged to result from negligence or other unintentional errors or omissions on the part of any Exchange Related Persons and/or Entities acting on its behalf, or from systems failure, or from any other cause within or outside the control of BOX.

Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(c) Exchange Related Persons and/or Entities make no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of BOX or any reporting authority designated by BOX, including but not limited to, reports of transactions in or quotations for securities traded on BOX or underlying securities, or reports of interest rate measures or index values or related data, and the Exchange Related Persons and/or Entities make no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data.

(d) No Options Participant or person associated with an Options Participant shall institute a lawsuit or other legal proceeding against any Exchange Related Person and/or Entity for actions taken or omitted to be taken in connection with the official business of BOX or any subsidiary, except to the extent such actions or omissions constitute violations of applicable federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by BOXR as provided for in the Rules.

(See BSE Rules Chapter XXXIII, "BEACON", Section 7, "BEACON Liability").

(e) Notwithstanding paragraphs (a), (b), and (d) above, and subject to the express limits set forth below, BOX may compensate Options Participants for losses resulting directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange, BOXR or BOX.

- (1) As to the aggregate of all claims made by all Options Participants under this Section during a single calendar month, BOX shall not be liable in excess of the larger of \$500,000, or the amount of any recovery obtained by BOX under any applicable insurance maintained by BOX.
- (2) In the event that all of the claims made under this Section cannot be fully satisfied because in the aggregate they exceed the applicable maximum limitations provided in this Section, then the maximum permitted amount will be proportionally allocated among all such claims arising during a single calendar month based on the proportion that each such claim bears to the sum of all such claims.
- (3) All claims for compensation pursuant to this Section shall be in writing and must be submitted no later than 12:00 p.m. ET on the next business day following the day on which the use of BOX gave rise to such claims. Once in receipt of a claim, BOX will verify that: (i) a valid order was accepted into BOX; and (ii) any loss claimed resulted

directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange, BOXR or BOX during the execution or handling of that order.

Amended.

August 31, 2006.
February 22, 2012.

Sec. 27 Complex Orders

(a) Complex Orders Defined. A Complex Order is any order for the same account as defined below:

- i. Spread Order. A spread order is an order to buy a stated number of call (put) option contracts and to sell the same number of call (put) option contracts, of the same class of options.
- ii. Straddle Order. A straddle order is an order to buy (sell) a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date (e.g., an order to buy two XYZ July 50 calls and to buy two XYZ July 50 puts).
- iii. Strangle Order. A strangle order is an order to buy (sell) a number of call option contracts and the same number of put option contracts in the same underlying security, which contracts have the same expiration date (e.g., an order to buy two ABC June 40 calls and to buy two ABC June 35 puts).
- iv. Combination Order. A combination order is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security and representing the same number of shares at option.
- v. Combination orders with non-equity options legs. One or more legs of a Complex Order may be to purchase or sell a stated number of units of another security.
 - 1) Stock-Option Order. A stock-option order is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with either (a) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying stock or convertible security or the number of units of the underlying stock necessary to create a delta neutral position; or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of stock, as and on the opposite side of the market from, the stock or convertible security portion of the order.
 - 2) SSF-Option Order. A SSF-option order is an order to buy or sell a stated number of units of a single stock future or a security

convertible into a single stock future ("convertible SSF") coupled with either (a) the purchase or sale of option contracts(s) on the opposite side of the market representing either the same number of units of stock underlying the single stock future or convertible SSF, or the number of units of stock underlying the single stock future or convertible SSF necessary to create a delta neutral position; or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of underlying stock, as and on the opposite side of the market from, the stock underlying the single stock future or convertible SSF portion of the order.

- vi. Ratio Order. A spread, straddle or combination order may consist of a different number of contracts, so long as the number of contracts differs by a permissible ratio. For purposes of this paragraph, a permissible ratio of contracts is any of the following: For purposes of this paragraph, a permissible ratio of contracts is any ratio that is equal to or greater than 0.5. For example, a one-to-two ratio (which is equal to 0.5) and a six-to-ten ratio (which is equal to 0.6) are permitted, but a one-to-three ratio (which is equal to 0.33) is not.
- vii. Butterfly Spread Order. A butterfly spread order is an order involving three series of either put or call options all having the same underlying security and time of expiration and, based on the same current underlying value, where the interval between the exercise price of each series is equal, which orders are structured as either (a) a "long butterfly spread" in which two short options in the same series offset by one long option with a higher exercise price and one long option with a lower exercise price or (b) a "short butterfly spread" in which two long options in the same series are offset by one short option with a higher exercise price and one short option with a lower exercise price.
- viii. Box Spread Order. A box spread order is an order involving (a) a long call option and a short put option with the same exercise price, coupled with (b) a long put option and a short call option with the same exercise price; all of which have the same underlying security and time of expiration.
- ix. Collar Order. A collar order is an order involving the sale of a call option coupled with the purchase of a put option in equivalent units of the same underlying security having a lower exercise price than, and same expiration date as, the sold call option.

(b) *Applicability of BOX Rules.* Except as otherwise provided in this Section, Complex Orders shall be subject to all other BOX Rules that pertain to orders generally.

- i. Minimum Increments. Bids and offers on Complex Orders may be expressed in any decimal price pursuant to Section 6 of this Chapter V (Minimum Trading Increments), and the option leg(s) of a stock-option order may be executed in one cent increments, regardless of the minimum increments otherwise applicable to the individual option legs of the order. Complex Orders expressed in net price increments that are not multiples of the minimum increment are not entitled to the same priority under subparagraph (b)(ii) of this Section 27 as such orders

expressed in increments that are multiples of the minimum increment.

- ii. **Complex Order Priority.** Notwithstanding the provisions of Section 16 of this Chapter V (Execution and Price/Time Priority), a Complex Order, as defined in paragraph (a) of this Section, may be executed at a total credit or debit price with one other Participant without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such total credit or debit provided; however, that if any of the bids or offers established in the marketplace consist of a Customer Limit Order, the price of at least one leg of the Complex Order must trade at a price that is better than the corresponding bid or offer in the marketplace. Under the circumstances described above, the option leg of a stock-option order, as defined in subparagraph(a)(v)(1)(a) of this Section, or SSF-option order as defined in subparagraph (a)(v)(2)(a) of this Section, will be executed according to price/time priority, as set forth in Section 16 of this Chapter V. The options legs of a stock-option order as defined in subparagraph (a)(v)(1)(b), or SSF-option order as defined in subparagraph (a)(v)(2)(b), consisting of a combination order with stock or single stock future, as the case may be, may be executed in accordance with the first sentence of this subparagraph (b)(ii).
- iii. **Execution of Orders.** Complex orders will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts.
- iv. **Types of Complex Orders.** Complex orders may be entered as fill-and-kill orders, as defined in Section 14, or as all-or-none orders, which are resting limit orders to be executed in their entirety or not at all.
- v. **Complex orders shall not be submitted to BOX as Directed Orders pursuant to Chapter VI, Section 6 of these Rules, nor shall they be submitted to the PIP process pursuant to Section 18 of this Chapter V.**

(c) An Options Participant who wishes to propose trading in a Complex Order strategy that is not currently available on BOX, must notify BOX by either sending an electronic Complex Order strategy request through the BOX Trading Host or making a telephone request with the BOX Market Operations Center. Along with this request, the Participant may also place a Complex Order in the proposed strategy. Each strategy request will be validated as to the option components of the strategy listed on BOX and the Complex Order type available on BOX. After validation, an "advisory" message regarding the new Complex Order strategy will be sent by BOX to all Participants, stating the terms of the strategy created and the time when Complex Orders on the new strategy will begin to trade. Trading shall not begin until at least five minutes has elapsed from the time the advisory message was sent from BOX. Any Complex Orders on the newly created strategy that are received prior to the start of trading will be placed in the Complex Order Book and disseminated to all Participants.

Supplementary Material to Section 27

.01 A bid or offer made as part of a stock-option order (as defined in (a)(v)(1) above) or a SSF-option order (as defined in (a)(v)(2) above) is made and accepted subject to the following conditions: (a) the order must disclose all legs of the order and must identify the security (which in the case of a single stock future requires sufficient identification to determine the market(s) on which the single stock future trades) and the price at which the non-option leg(s) of the order is to be filled; and (b) concurrent with the execution of the options leg of the order, the initiating Options Participant and each Options Participant that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to a non-Exchange market(s) for execution. Failure to observe these requirements will be

considered conduct inconsistent with just and equitable principles of trade and a violation of Section 14 of Chapter II of the Rules of the Exchange.

A trade representing the execution of the options leg of a stock-option or SSF-option order may be cancelled at the request of any Options Participant that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

Amended.

February 3, 2004.

July 6, 2004.

December 11, 2006.

Sec. 28 Accommodation Liquidations (Cabinet Trades)

Cabinet trading under the following terms and conditions shall be available in each series of options contracts open for trading on BOX:

- i. Trading shall be conducted in accordance with other BOX Rules except as otherwise provided herein.
- ii. Limit Orders valued at a price of \$1 per options contract must be placed on BOX using the Cabinet Trading System.
- iii. Opening transactions at a value of \$1 per options contract may be placed on BOX using the Cabinet Trading System only to the extent that the order book in Cabinet Trades contains unexecuted closing orders with which the opening orders may be immediately matched.
- iv. Orders in Cabinet Trades may be placed for Public Customers accounts, with priority based upon the sequence in which such orders are placed on BOX.
- v. Market Makers shall not be subject to the requirements of Chapter VI, Section 5, of these Rules, for orders placed pursuant to this Section 28.

Sec. 29 The Universal Price Improvement Period (“UPIP”)

(a) The execution of price improvement transactions via the Universal Price Improvement Period or UPIP auction on the BOX market is permitted under certain circumstances and subject to the procedures detailed herein. All orders submitted to the BOX Trading Host which meet the criteria outlined in paragraph 29(e) below are deemed to be Eligible Orders for a UPIP auction. Upon commencement of the UPIP auction, an Eligible Order shall become a UPIP order (“UPIP Order”). The Options Participant who submits an Eligible Order may also submit an Improvement Order for his own account or as agent. A UPIP Order may be executed against Improvement Orders submitted by Options Participants for their own account or as agent, or with other Unrelated Orders and quotes.

(b) Options Participants must comply with the procedures set forth in this Section 29 when executing orders in a UPIP auction and must act with due skill, care and diligence, and ensure that the interests of their Customers are not prejudiced.

(c) An OFP may not execute as principal an order it represents as agent unless it complies with the provisions of Sections 17 or 18 of this Chapter V or pursuant to the rules described below in Paragraph (k).

(d) An OFP is prohibited from using the UPIP auction to create a misleading impression of market activity (*i.e.*, the facilities may be used only where there is a genuine Customer request to execute a bona fide transaction).

(e) BOX will automatically initiate a UPIP auction upon satisfaction of the following conditions:

- i. the Eligible Order is for a series that is open for trading;
- ii. the Eligible Order is a Public Customer Order;
- iii. the Eligible Order is a Limit, Market or BOX-Top Order;
- iv. the Eligible Order does not include a minimum quantity condition;
- v. **Reserved.**
- vi. the Eligible Order is not a Fill and Kill order;
- vii. the Eligible Order is marketable against the opposite side NBBO;
- viii. a PIP/UPIP auction in the same series is not already underway;
- ix. if the NBBO is locked or crossed, the BBO on the same side of the market as the Eligible Order does not equal the NBBO; and
- x. The Eligible Order is not an Intermarket Sweep Order.

The initiation of a UPIP auction following the receipt of an Eligible Order by the BOX Trading Host as described in this paragraph (e) will not affect the Eligible Order's anonymity on the BOX Book.

(f) The UPIP shall be permitted on a class-by-class basis.

(g) The UPIP shall be three (3) seconds, or less as determined by the Board on a class-by-class basis except that when the Eligible Order was previously processed as a Directed Order accompanied by a Guaranteed Directed Order ("GDO") pursuant to Chapter VI, Section 5(c)(iii)(2) of these Rules, the duration of the UPIP shall not be less than the time the GDO is to be withheld from trading with the Directed Order as provided in Chapter VI, Section 5(c)(iii)(2)(b)(4) of these Rules.

(h) UPIP Broadcast

Upon initiation of the UPIP auction, the BOX Trading Host will solicit Improvement Orders from Options Participants by broadcasting a message ("Broadcast Message") to the Options Participants that informs them of: (1) the initiation of a UPIP auction by the Trading Host; (2) the Eligible Order's series, size, and side of the market; (3) the Start Price, which is the minimum/maximum (buy/sell) price at which an Improvement Order must be submitted; and (4) the end time of the UPIP auction.

No information other than that which is outlined in this paragraph (h) will be provided in the Broadcast Message.

(i) If the BOX BBO on the opposite side of the market from the UPIP Order is equal to the NBBO, the Start Price will be one improvement increment, as defined in Section 29(j)(i) of this Chapter V,

better than the NBBO; if the BOX BBO on the opposite side of the market from the UPIP Order is not equal to the NBBO, the Start Price will be the NBBO.

(j) Improvement Orders

Improvement Orders must be on the opposite side of the market from the UPIP Order and are subject to the following conditions:

- i. Improvement Orders may be submitted in increments of one-cent or more.
- ii. All Improvement Orders must be equal to or better than the Start Price.
- iii. Upon receipt of a Broadcast Message, any Options Participant may submit Improvement Orders. An OFP may submit Improvement Orders for the account of a Customer under any type of instruction the OFP wishes to accept. OFPs may also submit Improvement Orders on behalf of a Public Customer in the form of a CPO (as set forth in Paragraph (m) below). Options Participants who submit Improvement Orders for a UPIP, including CPOs, shall only be deemed to be a participant for that specific UPIP auction ("UIPIP Participant").
Prior to the conclusion of the UPIP auction, a UPIP Participant may cancel the Improvement Order or modify the terms of the Improvement Order at any point during the UPIP auction. Any subsequent quantity increases or price modifications to an Improvement Order will be treated as new Improvement Orders for purposes of establishing priority in the UPIP auction.
- iv. In order to establish NBBO Prime priority status as described in Section 30 of this Chapter V, an Options Participant who has an order on the BOX Book at a price equal to the NBBO must provide to the BOX Trading Host the unique order number of that BOX Book order along with the NBBO Prime Order it submits to the Trading Host for the same beneficial account. The order number will be anonymous to all other Options Participants. Although Market Makers are eligible for the NBBO Prime Priority, they are not required to provide the order number of their BOX Book quote or order to obtain the NBBO Prime priority status.
An Options Participant, including a Market Maker, who also has an order or quote on the BOX Book may indicate in an Improvement Order's message field the quantity by which his order or quote size on the BOX Book should be decremented in the event of a partial or full execution of the Improvement Order. By indicating a quantity to decrement, the BOX Trading Host will automatically decrement the size of the related order or quote on the BOX Book upon execution of the Options Participant's Improvement Order at the conclusion of the UPIP auction up to the lesser of, (1) the quantity provided in the Improvement Order message; (2) the actual quantity of the Improvement Order that was executed; or (3) the size of the remaining order or quote on the BOX Book. Any modification to this decrementation quantity in the Improvement Order during the UPIP auction will not affect the Improvement Order's time priority.
- v. Improvement Orders shall be disseminated solely to Options Participants.
- vi. Any unexecuted portion of an Improvement Order shall be cancelled.
- vii. Only one Improvement Order for the same beneficial account may be submitted in a given UPIP auction.

(k) Proprietary Improvement Orders

Except where the Improvement Order is generated by an automated quotation system that operates independently from the existence or non-existence of a pending Eligible Order, prior to the Eligible Order's submission by the Options Participant, any Improvement Order submitted by a UPIP Participant, who has also submitted the Eligible Order, will be last in time priority at all price levels in any subsequent UPIP auction relating to the Eligible Order, except that in relation to a Improvement Order by an Executing Participant strict time priority will govern. Where the Improvement Order is generated by an automated quotation system that operates independently from the existence or non-existence of the pending Eligible Order, prior to its submission to the BOX Trading Host, the Improvement Order will be eligible for trade execution at the end of the UPIP auction without prejudice and according to the terms described in paragraph (p) below.

(l) Improvement Orders Submitted By Executing Participants

A Market Maker who receives a Directed Order pursuant to Section 5(c) of Chapter VI of the BOX Rules (the Executing Participant) that is released to the BOX Book will be last in time priority at all price levels for any Improvement Order or quote submitted to a subsequent UPIP auction relating to the same Directed Order, except that in relation to a Proprietary Improvement Order strict time priority will govern. A Market Maker's GDO, which is also submitted to BOX when the Directed Order is released pursuant to Section 5(c) of Chapter VI, will be released by the Trading Host to the BOX Book at the conclusion of the UPIP auction, including any UPIP auction terminated early pursuant to Paragraph (o) below.

(m) Customer PIP Orders

In addition to Improvement Orders submitted on behalf of Customers, OFPs may provide Public Customers with access to the UPIP via a Customer Price Improvement Order ("CPO") in accordance with Section 18(g) of Chapter V provided the following conditions have been satisfied.

- i. The terms of each CPO include the price at which the order shall be placed in the BOX Book ("BOX Book Reference Price"), stated in rounded five-cent or ten-cent increments, as appropriate ("Standard Tick"), as well as the price at which the Public Customer wishes to participate in any UPIP that may occur while the order is on the BOX Book ("CPO Auction Reference Price"), stated in one-cent increments ("Penny Tick").
- ii. The terms of each CPO shall include the size of the order ("CPO Total Size"). The number of contracts that may be entered into a UPIP, however, shall not exceed the lesser of (a) the CPO Total Size remaining on the BOX Book; or (b) the size of the UPIP Order.
- iii. In order for the CPO to be eligible for participation in a UPIP auction of the subject options series, the BOX Book Reference Price for a CPO at the time a UPIP commences must be equal to the BBO.
- iv. The CPO may only participate in a UPIP auction when the CPO is on the opposite side of the market as the UPIP Order.
- v. Upon initiation of a UPIP, for which a CPO is eligible to participate pursuant to paragraphs (i)-(iv) above, the OFP who submitted the CPO to the BOX Book must also submit a CPO (*i.e.*, Improvement Order) to the UPIP auction at a price that is better than the BOX Book Reference Price but less than or equal to the CPO Auction Reference Price. At any time during the UPIP auction, the OFP may modify the price of the CPO (*i.e.*, Improvement Order) submitted to the UPIP up to the CPO Auction Reference Price.

(n) Modification or Cancellation of the UPIP Order

A UPIP Order may be cancelled or modified at any time prior to the termination of the UPIP auction. The cancellation of a UPIP Order will result in the cancellation of the UPIP auction and all related Improvement Orders.

Customers may modify a UPIP Order, without causing the premature termination of the UPIP auction, by: 1) reducing the size of the UPIP Order; 2) changing the order type from a Limit Order to a BOX Top or Market Order; or 3) improving a Limit Order (*i.e.*, lower the price of a sell limit or increase the price of a buy limit). A modification of a UPIP Order type from either a BOX Top or Market Order to a Limit Order, a price disimprovement of a Limit Order, or an increase in the size of the UPIP Order will result in the cancellation of the UPIP auction and all associated Improvement Orders.

(o) Modification and Cancellation of the Initial Aggregate Quote Size

The Initial BOX Book Quote is defined as the quote(s) and/or order(s) on the BOX Book at the best price, on the opposite side, and in the same series as the Eligible Order at the time of receipt by the BOX Book.

The Initial Aggregate Quote Size is defined as the aggregate size of the Initial BOX Book Quote.

- i. During the UPIP auction, any subsequent modification or cancellation to an order or quote which is a component of the Initial BOX Book Quote that decreases the Initial Aggregate Quote Size below the size of the UPIP Order at the commencement of the UPIP auction will cause the UPIP to terminate. The modified or canceled order/quote will be placed at the end of the quote and order queue on the BOX Book and be last in priority at the price level of the Initial BOX Book Quote and then the UPIP Order will match as described in paragraph (p) below. Once the UPIP Order has been matched, the cancellation or modification of the Initial BOX Book Quote which triggered the end of the UPIP will be processed.
- ii. If a modification or cancellation to an order or quote which is a component of the Initial BOX Book Quote does not cause the Initial Aggregate Quote Size to decrease below the size of the UPIP Order, the UPIP auction will continue.

Any orders or quotes on the opposite side of the UPIP Order which are not executable against the BOX Book that are received by the BOX Book after the UPIP auction has commenced (*i.e.*, orders that are not otherwise part of the Initial BOX Book Quote), may be cancelled or modified without causing the UPIP auction to terminate as described in this paragraph (o).

(p) At the conclusion of the UPIP auction, including premature termination, the UPIP Order shall be matched against the best prevailing orders, whether Improvement Orders, including CPOs, or Unrelated Orders, and quotes, including the Initial BOX Book Quote as described in paragraph (r), on BOX submitted during the UPIP auction that are equal to or better than the Start Price, in accordance with the price/time matching priority algorithm as set forth in Section 16(a) of this Chapter V.

The only exceptions to time priority in the UPIP auction are: (1) as provided in paragraphs (k), (l) and (o); and (2) as provided in paragraphs (b) - (d) of Section 30 of this Chapter V. However, within the UPIP auction no order for a non-market maker broker-dealer account of an Options Participant will be executed before Public Customer order(s) and non-BOX Options Participant broker-dealer order(s) at the same price.

Any unexecuted portion of an Improvement Order shall be cancelled.

(q) Price Protection

- i. The UPIP Order will be filtered to prevent a trade-through of the NBBO and will not execute against orders and quotes at prices inferior to the NBBO (*e.g.*, lower than the NBBO bid or higher than the NBBO offer) at the end of the UPIP except pursuant to Chapter XII, Section 2(b).
- ii. If the UPIP Order cannot be executed on BOX at or better than the NBBO, then it will be routed to the market center(s) posting the NBBO at the conclusion of the UPIP.
- iii. The quantity of the UPIP Order that is equal to or less than the Initial Aggregate Quote Size will not be executed at a price worse than the Initial BOX Book Quote.

(r) Any remaining size of the UPIP Order not executed in the UPIP auction shall be released to the BOX Book and handled in accordance with its specific order type pursuant to Section 16(a) and (b)(iii)(2)(c) of this Chapter V.

(s) Unrelated Orders that are submitted to the Trading Host during a UPIP auction:

- i. on the opposite side of the market from the UPIP Order that are executable against the NBBO will be executed immediately against the UPIP Order at the mid-point of the National Best Bid (or Offer) and the best of the best UPIP Improvement Order, the UPIP Start Price or the National Best Offer (or Bid). Any rounding required will be to the benefit of the Unrelated Order. Where the Unrelated Order on the opposite of the market as the UPIP Order has a quantity equal to or greater than the UPIP Order, the UPIP auction will terminate; otherwise, the immediate execution of the Unrelated Order will not cause the termination of the UPIP auction and the auction will continue.
- ii. on the same side of the market as the UPIP Order that are executable against the NBBO will cause the UPIP to terminate.

It shall be considered conduct inconsistent with just and equitable principles of trade for any Participant to enter Unrelated Orders into BOX for the purpose of disrupting or manipulating any UPIP auction.

Amended.

July 24, 2010.

Supplementary Material to Section 29

- 01. A UPIP will not run simultaneously with another PIP or UPIP in the same series, nor will PIPs or UPIPs interact, queue or overlap in any manner. Any order which would otherwise meet the price conditions to initiate a UPIP that is received while:
 - a. a PIP is underway for the same series will be considered an Unrelated Order pursuant to Section 18(a).
 - b. a UPIP is underway for the same series will cause the UPIP to terminate pursuant to Section 29(s).

Adopted.

January 15, 2008.

August 18, 2009.

Sec. 30 NBBO Prime

(a) An Improvement Order, or multiple Improvement Orders, may be designated as NBBO Prime in a particular UPIP auction and afforded certain priority privileges ("NBBO Prime Order") at the conclusion of the UPIP auction if the following conditions have been satisfied:

- i. the same beneficial account for whom the Options Participant is submitting the NBBO Prime Order ("NBBO Prime Participant") must have quotes or orders on the BOX Book that are on the opposite side of the UPIP Order ("NBBO Prime Participant Quote");
- ii. the NBBO Prime Participant Quote must be equal to the NBBO on the opposite side of the UPIP Order; and
- iii. the NBBO Prime Participant Quote must have been on the BOX Book prior to the time the Eligible Order was presented to the Trading Host.

(b) NBBO Prime Orders shall have time priority over all other Improvement Orders and Unrelated Orders with the same limit price in the relevant UPIP auction. NBBO Prime Orders, however, shall only have priority for the amount of the NBBO Prime Order that does not exceed the size of the NBBO Prime Participant's Quote, pursuant to Paragraph (c) of this Section 30.

(c) Time priority among multiple NBBO Prime Orders in the same UPIP and at the same price level will be based on the relevant time stamp of the NBBO Prime Participants' Quotes. The priority of all other Improvement Orders, including any residual quantity of an NBBO Prime Order that does not receive NBBO Prime priority as discussed in paragraph (b) of this Section 30, will be determined based on time priority.

(d) NBBO Prime Orders shall retain their priority even if the NBBO Prime Participant's Quote is subsequently modified or cancelled during the relevant UPIP auction.

Adopted.

January 18, 2008

Sec. 31 Block Trades

(a) *Facilitation Auction.* The Facilitation Auction is a process by which an OFP can attempt to execute a transaction wherein the OFP seeks to facilitate a block-size order it represents as agent ("Agency Order"), and/or a transaction wherein the OFP solicited interest to execute against an Agency Order. OFPs must be willing to execute the entire size of Agency Orders entered into the Facilitation Auction through the submission of a contra "Facilitation Order".

- (i) Upon the entry of an Agency Order and the Facilitation Order into the Facilitation Auction, a broadcast message will be sent and Options Participants will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the facilitation of the Agency Order.
- (ii) Responses may be priced at the price of the Agency Order or at a better price and must not exceed the size of the Agency Order to be facilitated.

- (iii) At the end of the period given for the entry of Responses, the Facilitation Order will be automatically executed with the Agency Order.
- 1) Unless there is sufficient size to execute the entire Agency Order at a better price, Public Customer bids (offers) and Public Customer Responses on BOX at the time the Agency Order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Non-Public Customer and Market Maker bids (offers) and Non-Public Customer and Market Maker Responses on BOX at the time the Agency Order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Agency Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers) and Responses.
 - 2) The facilitating OFP will execute at least forty percent (40%) of the original size of the Facilitation Order, but only after better-priced bids (offers) and Responses on BOX, as well as Public Customer bids (offers) and Responses at the facilitation price, are executed in full based upon price/time priority. Thereafter, Non-Public Customer and Market Maker bids (offers) and Non-Public Customer and Market Maker Responses on BOX at the facilitation price will participate in the execution of the Agency Order based upon price/time priority.

(b) *Solicitation Auction.* The Solicitation Auction is a process by which an OFP can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it has solicited ("Solicited Order"). Each Agency Order entered into the Solicitation Auction shall be all-or-none.

- (i) Upon entry of both orders into the Solicitation Auction at a proposed execution price, a broadcast message will be sent and Options Participants will be given an opportunity to enter Responses with the prices and sizes at which they would be willing to participate in the execution of the Agency Order.
- (ii) At the end of the period given for Options Participants to enter Responses, the Agency Order will be automatically executed in full or cancelled. For the purposes of this subparagraph (ii), the term "Book Priority Public Customer Order" means a Public Customer bid (offer) that is (A) at a price equal to or better than the proposed execution price of the Solicited Order; and (B) on the BOX Book within the depth that would have traded with the Agency Order if the Agency Order had been submitted to the BOX Book.
 - 1) If at the time of execution there is insufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed against the Solicited Order at the proposed execution price so long as, at the time of execution: (a) the execution price is equal to or better than the NBBO, and (b) there are no Book Priority Public Customer Orders on the BOX Book. Both the Solicited Order and Agency Order will be cancelled if an execution would take place at a price that is inferior to the best bid or offer on BOX, the NBBO, or if there is a Book Priority Public Customer Order on the BOX Book, but there is insufficient size to execute the entire Agency Order, except pursuant to paragraph (4) below.
 - 2) If at the time of execution there is a Book Priority Public Customer Order on the BOX Book and there is sufficient size on the Book to execute the entire Agency Order, the Agency Order will be executed against the bid

(offer), and the Solicited Order will be cancelled. The aggregate size of all bids (offers) on the BOX Book at or better than the proposed execution price, will be used to determine whether the entire Agency Order can be executed.

3) If at the time of execution there is sufficient size to execute the entire Agency Order at an improved price (or prices), the Agency Order will be executed at the improved price(s), subject to the condition in (1)(a), and the Solicited Order will be cancelled. The aggregate size of all bids (offers) and Responses at each price will be used to determine whether the entire Agency Order can be executed at an improved price (or prices).

4) The OFP may designate for the Solicited Order a certain number of contracts of the Agency Order for which it is willing to 'surrender' interest to the BOX Book ("Surrender Quantity") when at the time of execution:

(a)(i) there is a Book Priority Public Customer Order on the BOX Book. In this situation, when the aggregate size of (Y) these Book Priority Public Customer Orders and (Z) all bids (offers), excluding Responses, on the BOX Book at prices better than the proposed execution price, is equal to or less than the Surrender Quantity, the Agency Order will first execute against all such Book Priority Public Customer Orders and such bids (offers), and then against the Solicited Order. If the aggregate size of all such bids (offers) exceeds the Surrender Quantity, but there is insufficient size to execute the entire Agency Order, then both the Solicited Order and the Agency Order will be cancelled; or

(ii) there are bids (offers) on the BOX Book on the opposite side of the Agency Order at a price better than the proposed execution price, but there is insufficient size to execute the entire Agency Order at an improved price. In this situation, when the aggregate size of all such bids (offers) on the BOX Book, is equal to or is less than the Surrender Quantity, the Agency Order will first execute against all such bids (offers), and then against the Solicited Order. If the aggregate size of all such bids (offers) on the BOX Book exceeds the Surrender Quantity, then both the Solicited Order and the Agency Order will be cancelled.

(b) Public Customer bids (offers) on the BOX Book at the time of Surrender Quantity execution that are priced higher (lower) than the proposed execution price will be executed at the proposed execution price. Non-Public Customer and Market Maker bids (offers) on the BOX Book at the time of Surrender Quantity execution that are priced higher (lower) than the proposed execution price will be executed at their stated price, thereby providing the Agency Order a better price for the number of contracts associated with such higher bids (lower offers).

5) When executing the Agency Order against the bid or offer in accordance with paragraph (2) or (4) above, or at an improved price in accordance with paragraph (3) above, the bids (offers) will participate in the execution of the Agency Order based upon price and time priority.

(iii) Prior to entering Agency Orders into the Solicitation Auction on behalf of a Customer, OFPs must deliver to the Customer a written notification informing the Customer that its

order may be executed using the BOX Solicitation Auction. Such written notification must disclose the terms and conditions contained in this Paragraph (b) and must be in a form approved by the Exchange.

Supplementary Material

.01 It will be a violation of an Option Participant's duty of best execution to its customer if it were to cancel a Facilitation Order to avoid execution of the order at a better price. The availability of the Facilitation Auction does not alter an Option Participant's best execution duty to get the best price for its customer. Accordingly, while Facilitation Orders may be canceled during the time period given for the entry of Responses, if an Option Participant were to cancel a Facilitation Order when there was a better price available on BOX and subsequently re-enter the Facilitation Order at the same facilitation price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Option Participant did so to avoid execution of its customer order in whole or in part by other brokers at the better price.

.02 Block-size orders are orders for fifty (50) contracts or more.

.03 For purposes of this Section a "Response" means an electronic message that is sent by Options Participants to the BOX Trading Host in response to a Facilitation or Solicitation Auction broadcast message. Responses represent non-firm interest that can be canceled or decremented as to price or size at any time prior to execution. Responses are not displayed to any market participants. At the time of execution, Responses priced outside the NBBO, or Responses at the NBBO when there is a Public Customer bid (offer) at the same price as the Agency Order, will be ignored by the BOX Trading Host.

.04 The time given to Options Participants to enter Responses under Paragraphs (a) and (b) shall be one (1) second.

.05 Under paragraph (b) above, Options Participants may enter contra orders that are solicited. The Solicitation Auction provides a facility for Options Participants that locate liquidity for their Customer Orders. Options Participants may not use the Solicitation Auction to circumvent the rules in Section 17 of this Chapter V. This may include, but is not limited to, Options Participants entering Solicitation Orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the Options Participant has an arrangement that allows the Options Participant to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, any Solicited Orders entered by Options Participants to trade against Agency Orders may not be for the account of a BOX market maker that is assigned to the options class.

.06 Penny Prices. Orders and Responses may be entered into the Facilitation and Solicitation Auctions and receive executions at penny (\$0.01) increments. Orders in the BOX market that receive the benefit of the facilitation execution price under paragraph (a)(iii)(1) may also receive executions at penny increments.

Adopted.

September 23, 2011.

Sec. 32 Quote Mitigation

- a) Updates for orders placed on the BOX Book that are updates relating to instruments which have been listed for more than ten (10) trading days and for which open interest is fewer than 300 to 400 contracts (the precise number will vary with the degree that BOX's target traffic levels have been met) as determined by the Options Clearing Corporation, will be subject to bundling.
- b) For those instruments that meet the criteria outlined in subsection (a) above, the bundling of quote and order updates will occur at intervals of at least 200 milliseconds, but no more

than 1,000 milliseconds. While all instruments meeting the criteria of a) will be subject to bundling, BOX may apply variable rates of bundling frequency depending on whether the update is:

- i. a change in price
- ii. an increase in quantity without a change in price
- iii. a decrease in quantity without a change in price

The bundling frequency for each type of update will be set in accordance with BOX's overall objective of reducing both peak and overall traffic. At a minimum, all updates for instruments listed for at least ten days and having open interest below 50 contracts will be bundled at 200 millisecond intervals.

- c) There will be no bundling of quotes in the following situations:
 - i. For price improvements auctions.
 - ii. Inbound orders and quotes.
 - iii. NBBO exposure broadcasts.
 - iv. Reporting of trades on BOX.

- c) All quote mitigation mechanisms which are used on the BOX Trading Host will be identical for the OPRA "top of the book" broadcast and the internal BOX broadcast, which includes the top line of the five best limits broadcast.

Adopted.

January 12, 2007.

Section 33. Penny Pilot Program

- a) BOX will participate in the Penny Pilot Program. This program begins on January 26, 2007 and ends on June 30, 2012.

- b) During the Penny Pilot Program certain classes will be quoted in trading increments as described in section 6(b) of this Chapter V from March 28, 2008 through June 30, 2012.

The Exchange may replace, any Pilot Program classes that have been delisted on the second trading day following January 1, 2012. The replacement classes will be selected based on trading activity for the six month period beginning June 1, 2011, and ending November 30, 2011. The Exchange will distribute Regulatory Circular notifying Participants which replacement classes shall be included in the Penny Pilot Program.

Adopted.

January 23, 2007.

Amended.

July 24, 2007.
September 27, 2007.
October 4, 2007.
March 25, 2008.
March 24, 2009.
June 25, 2009.
October 19, 2009.
December 24, 2010.

December 2, 2011.

Chapter VI. Market Makers

Sec. 1 Market Maker Registration

Options Participants registered as Market Makers have certain rights and bear certain responsibilities beyond those of other Options Participants. All Market Makers are designated as specialists on BOX for all purposes under the Exchange Act or Rules thereunder. (See BSE Rules Chapter XV, "Specialists", Section 1, "Registration").

(a) To register as a Market Maker, a Participant must file an application in writing on such forms as BOXR may prescribe. BOXR reviews applications and considers an applicant's market making ability and such other factors as BOXR deems appropriate in determining whether to approve an applicant's registration as a Market Maker.

(b) The registration of any Participant as a Market Maker may be suspended or terminated by BOXR upon a determination that such Participant has failed to properly perform as a Market Maker.

(c) These Rules place no limit on the number of qualifying entities that may become Market Makers. However, based on system constraints, capacity restrictions or other factors relevant to protecting the integrity of the BOX Trading Host the Board or its designee may limit access to the Trading Host, for a period to be determined in the Board's discretion, pending any action required to address the issue of concern to the Board. To the extent that the Board places limitations on access to the Trading Host on any Participant(s), such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Act.

Sec. 2 Qualification Requirements for Market Maker Registration

To qualify for registration as a Market Maker, an Options Participant must meet the requirements established in SEC Rule 15c3-1(a)(6)(i), and the general requirements for Specialists as set forth in Chapter XV, Section 1 of the Rules of the Exchange (Specialist Registration).

Sec. 3 Good Standing for Market Makers

- (a) To remain in good standing as a Market Maker, the Market Maker must:
- i. continue to be an Options Participant in good standing;
 - ii. continue to satisfy the Market Maker qualification requirements specified by BOXR, as amended from time to time by BOXR;
 - iii. comply with the Rules of the Exchange as well as the Rules of the OCC;
and
 - iv. pay on a timely basis such Participation, transaction and other fees as the Exchange and BOX shall prescribe.

(b) The good standing of a Market Maker may be suspended, terminated or otherwise withdrawn, as provided in the Rules, if any of said conditions for approval cease to be maintained or the Market Maker violates any of its agreements with the Exchange or any of the provisions of the Rules.

(See BSE Rules Chapter XV, "Specialists", Section 1, "Registration").

Sec. 4 Appointment of Market Makers

(a) Market Makers shall be those Options Participants registered as Market Makers and approved by the Exchange for an appointment in an options class listed on BOX. Such an appointment shall consist of at least one class and may include all classes listed on BOX.

(b) In approving such appointments the Board or designated committee shall consider (1) the financial and technical resources available to the Market Maker, (2) the Market Maker's experience and expertise in market making or options trading, and (3) the maintenance and enhancement of competition among Market Makers in each class of options contracts to which they are appointed.

(c) The Board or designated committee may suspend or terminate any appointment of a Market Maker under this Rule and may make additional appointments or change the options classes included in a Market Maker's appointment whenever, in the Board's or designated committee's judgment, the interests of a fair and orderly market are best served by such action.

(d) BOXR shall periodically conduct an evaluation of Market Makers to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, competition among Market Makers, observance of ethical standards, and administrative factors. BOXR may consider any relevant information, including but not limited to the results of a Market Maker evaluation questionnaire, trading data, a Market Maker's regulatory history and such other factors and data as may be pertinent in the circumstances. Failure by a Market Maker to meet minimum performance standards may result in, among other things:

- i. suspension, termination or restriction of an appointment to one or more of the options classes;
- ii. restriction of appointments to additional options classes; or
- iii. suspension, termination, or restriction of the Market Makers registration.

(e) Market Makers may transact business outside of their appointments, but the total number of contracts executed during a quarter by a Market Maker in options classes to which it is not appointed may not exceed twenty-five percent (25%) of the total number of contracts traded by such Market Maker.

(f) Market Makers may withdraw from trading an options class that is within their appointment by providing BOX with written notice of such withdrawal. BOXR may require a certain minimum prior notice period for withdrawal, and may place such other conditions on withdrawal and re-appointment as it deems appropriate in the interests of maintaining fair and orderly markets. Market Makers who fail to give advance written notice of withdrawal to BOX may be subject to formal disciplinary action pursuant to BX Rules 9000 Series.

Amended.

June 25, 2007.
February 21, 2008
February 7, 2011.
May 14, 2012.

Sec. 5 Obligations of Market Makers

(a) In registering as a Market Maker, an Options Participant commits himself to various obligations. Transactions of a Market Maker in its market making capacity must constitute a course of

dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. (See BSE Rules Chapter XV, "Specialists", Section 2, "Responsibilities"). Ordinarily, Market Makers are expected to:

- i. During trading hours, a Market Maker must maintain a two-sided market, pursuant to Section 6(d)(i) of this Chapter VI, in those option classes in which the Market Maker is assigned to trade, in a manner that enhances the depth, liquidity and competitiveness of the market.
- ii. Participate in opening the market pursuant to Section 6(d) of this Chapter VI and Chapter V, Section 9(a) of these Rules.
- iii. Engage, to a reasonable degree under the existing circumstances, in dealings for their own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.
- iv. Compete with other Market Makers in all series of options classes to which the Market Maker is assigned to trade.
- v. Make markets that will be honored for the number of contracts entered into BOX's system in all series of options classes to which the Market Maker is assigned to trade.
- vi. Update quotations in response to changed market conditions in all series of options classes to which the Market Maker is assigned to trade.
- vii. Price options contracts fairly by, among other things, bidding and offering so as to create differences of no more than \$5 between the bid and offer following the pre-opening phase for each options contract. During the pre-opening phase, spread differentials shall be no more than \$.25 between the bid and offer for each options contract for which the bid is less than \$2, no more than \$.40 where the bid is at least \$2 but does not exceed \$5, no more than \$.50 where the bid is more than \$5 but does not exceed \$10, no more than \$.80 where the bid is more than \$10 but does not exceed \$20, and no more than \$1.00 where the bid is \$20 or greater, provided that BOX may establish differences other than the above for one or more options series.
 - 1) The bid/offer differentials stated in subparagraph (a)(vii) of this section shall not apply to in-the-money options series where the underlying securities market is wider than the differentials set forth above. For these series, the bid/ask differential may be as wide as the quotation on the primary market of the underlying security.
 - 2) BOX may calculate bids and asks for various indices for the sole purpose of determining permissible bid/ask differentials on options on these indices. These values will be calculated by determining the weighted average of the bids and asks for the components of the corresponding index. These bids and asks will be disseminated by BOX at least every fifteen (15) seconds during the trading day solely for the

purpose of determining the permissible bid/ask differential that market-makers may quote on an in-the-money option on the indices. For in-the-money series in index options where the calculated bid/ask differential is wider than the applicable differential set out in subparagraph (a)(vii) of this Rule, the bid/ask differential in the index options series may be as wide as the calculated bid/ask differential in the underlying index. BOX will not make a market in the basket of stock comprising the indices and is not guaranteeing the accuracy or the availability of the bid/ask values.

- viii. Maintain active markets in all classes in which the Market Maker is appointed.
- ix. **Reserved.**
- x.
 - 1) Except in unusual market conditions, refrain from purchasing a call option or a put option at a price more than \$0.25 below parity. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security.
 - 2) Not bid more than \$1 lower or offer more than \$1 higher than the last preceding transaction price for the particular options contract, plus or minus the aggregate change in the last sale price of the underlying security since the time of the last preceding transaction for the particular options contract. This provision applies from one day's close to the next day's opening and from one transaction to the next in intra-day transactions. With respect to inter-day transactions this provision applies if the closing transaction occurred within one hour of the close and the opening transaction occurred within one hour after the opening. With respect to intra-day transactions, this provision applies to transactions occurring within one hour of one another.

A BOXR Official may waive the provisions of subparagraphs (x)(1) and (x)(2) in an index option when the primary underlying securities market for that index is not trading.

(b) Market Makers may receive and handle Directed Orders on an agency basis. Market Makers may trade as principal as contra party to Directed Orders submitted to BOX; however, Market Makers may only seek to act as contra party to Directed Orders pursuant to the rules of the Price Improvement Period (Section 18 of Chapter V of these Rules), or pursuant to Paragraph (c) of this Section 5. As agent handling Directed Orders, the Market Maker is required to:

- i. hold the interests of orders entrusted to him above his own interests and fulfill in a professional manner all other duties of an agent, including, but not limited to, ensuring that each such order, regardless of its size or source, receives proper representation and timely, best possible execution in accordance with the terms of the order and the rules and

policies of the Exchange.

- ii. Ensure that his acceptance and execution of orders as agent are in compliance with applicable Federal and Exchange rules and policies.

(See BSE Rules Chapter XV, "Specialists", Section 2, "Responsibilities").

(c) When acting as agent for a Directed Order, a Market Maker must comply with subparagraphs (i) - (iii) of this Paragraph (c).

- i. A Market Maker shall not receive a Directed Order other than through the BOX Trading Host. Unlike all other orders submitted to the BOX Trading Host, Directed Orders are not anonymous. The Options Participant identification number ("Participant ID") of the OFP sending the Directed Order will be given to the Market Maker recipient. Upon systemically indicating its desire to accept Directed Orders, a Market Maker that receives a Directed Order shall not, under any circumstances, reject the receipt of the Directed Order from the BOX Trading Host nor reject the Directed Order back to the OFP who sent it. A Market Maker who desires to accept Directed Orders must systemically indicate that it is an Executing Participant ("EP") whenever the Market Maker wishes to receive Directed Orders. If a Market Maker does not systemically indicate that it is an Executing Participant, the BOX Trading Host will not forward any Directed Orders to the Market Maker. In such a case, the BOX Trading Host will send the order directly to the BOX Book. Prior to accepting any Directed Order through the Trading Host, an EP must inform BOX of the OFPs from whom it has agreed to accept Directed Orders through the Trading Host ("Listed OFPs" or "LOFPs"). The Trading Host will then only send to the EP Directed Orders from LOFPs.
- ii.
 - 1) If the Directed Order is executable against the current NBBO and the EP is also quoting at such NBBO on the opposite side of the Directed Order, then the Trading Host will immediately upon receipt of the Directed Order take down the EP's quote and shall guarantee the EP's execution of the Directed Order for at least the price and size of the EP's quote. This guarantee shall be called a Guaranteed Directed Order ("GDO"). The EP's quote shall not be reestablished until the Directed Order has been processed pursuant to this paragraph (c).
 - 2) If a GDO has been automatically generated and is pending, then upon receipt of a subsequent Directed Order for the same EP for the same series and side of the market such subsequent order shall no longer be considered a Directed Order but be treated as a regular order. The Trading Host will not send the order to the EP, but shall immediately release it to the BOX Book as a regular order. If no GDO has been automatically generated, then upon receipt of a subsequent Directed Order for the same EP for the same series and side of the market such subsequent order shall be treated as a new Directed Order. The Trading Host will send the new Directed Order to the EP for handling pursuant this paragraph (c).
 - 3) Upon receipt of a Directed Order an EP must either:

- a) Submit the Directed Order to the PIP process, pursuant to Chapter V, Section 18 of these Rules. Under this option, if a GDO has been automatically generated, then the Trading Host will prohibit the EP from adjusting his quotation prior to submitting the Directed Order to the PIP process. If no GDO has been automatically generated, and the EP is currently quoting at the NBBO on the opposite side of the Directed Order, then he is prohibited from adjusting his quotation prior to submitting the Directed Order to the PIP process. Upon submission of the Directed Order to the PIP process, the Trading Host will only accept a Primary Improvement Order to start the PIP priced at or better than 1) the GDO or 2) the NBBO at the time the EP sent the Directed Order to the PIP, whichever price is better for the Directed/PIP Order.

-OT-

- b) Send the Directed Order to the BOX Book pursuant to subparagraph (c)(iii) below.
- 4) If, three seconds after receipt of a Directed Order, an EP has not taken any action on the Directed Order, then BOX will automatically release the Directed Order to the BOX Book and the EP must comply with all the requirements of subparagraph (c)(iii) below.
- 5) If the Directed Order is modified once the Trading Host has established the GDO, then the modified Directed Order shall no longer be considered a Directed Order and shall be immediately released to the BOX Book and treated as a regular order. Upon modification or cancellation of the Directed Order, the Trading Host will immediately reestablish the EP's quote, including any of the EP's pending quote modifications, with a new time priority; or in the case of a pending quote cancellation, the EP's quote will be cancelled.

If no GDO had been established, then the modified Directed Order shall be resubmitted to the EP pursuant to paragraph (c)(ii)(1) above.

NOTE: It shall be considered conduct inconsistent with just and equitable principles of trade for any Options Participant or person to communicate with an EP about the terms or conditions of a Directed Order prior to its outcome in the BOX Trading Host (e.g. execution, cancellation).

- iii. When an EP chooses not to enter the Directed Order into the PIP process, and therefore, must send the Directed Order to BOX for placement on the BOX Book, the following requirements shall apply:

- 1) When the Trading Host has **not** automatically generated a GDO pursuant to paragraph (c)(ii)(1) above, the Trading Host will determine if the Directed Order is executable against the now current NBBO according to the NBBO filter process set forth in Chapter V, Section 16(b)(iii) of these Rules.

The EP shall not submit to BOX a contra order to the Directed Order for his proprietary account during the three seconds following his submission of the Directed Order to BOX.

- 2) When the Trading Host has automatically generated a GDO pursuant to paragraph (c)(ii)(1) above, then the Trading Host will determine if the Directed Order is executable against the now current NBBO.
 - a. If the order is not executable against the current NBBO, then the Trading Host will expose the order at the better GDO price for three seconds pursuant to paragraph (c)(iii)(2)(b)(3)-(5) below. The EP shall not submit to BOX a contra order to the Directed Order for his proprietary account during the three seconds following his submission of the Directed Order to BOX.
 - b. If the order is executable against the current NBBO, then the Trading Host will continue to hold the EP quote as described in paragraph (c)(ii)(1) above to provide the GDO.
 - 1) The EP:
 - i. Shall not submit to the BOX Book a contra order to the Directed Order for his proprietary account until the GDO is released to the BOX Book pursuant to subparagraph (c)(iii)(2)(b)(4) below.
 - ii. Shall not decrement the size or worsen the price of his GDO. The Trading Host will not process such changes to the GDO, except a decrementation of the GDO size down to the size of the remaining Directed Order.
 - iii. May increase the size or better the price of his GDO.
 - iv. May modify his pending quote to be reestablished pursuant to paragraph (c)(iii)(2)(b)(4) below. The Trading Host shall apply such modifications only when the EP's quote is reestablished.
 - 2) Upon receipt of the Directed Order, the Trading Host will execute the Directed Order against any matching order(s) on the BOX Book that are better than or equal to the GDO and equal to the current NBBO, except the pending quote and/or GDO of the EP.
 - 3) The remaining quantity of the Directed Order will be exposed to all BOX Participants at the better of the current NBBO or the GDO price for three seconds. During this period, any BOX Participant, except the EP, may submit an order to the BOX Book in response to the exposure of the Directed Order. Any orders submitted to

the BOX Book during the three second period will execute immediately against any remaining quantity of the Directed Order, in time priority.

- 4) After exposure of the Directed Order for three seconds, the Trading Host will release the GDO, as modified if at all pursuant to paragraph (c)(iii)(2)(b)(1)(ii) or (iii) above, where it will execute with any remaining quantity of the Directed Order. The Trading Host will reestablish the quote of the EP with a new time priority decremented by any executed portion of the GDO or as modified by the EP.

When the Directed Order to which a GDO is associated has been entered into a UPIP auction pursuant to Chapter V, Section 29 of these Rules and such auction is prematurely terminated due to 1) a modification or cancellation to an order or quote which is a component of the Initial BOX Book Quote pursuant to Chapter V, Section 29(o)(i) of these Rules or 2) the reception of a same side, executable order pursuant to Chapter V, Section 29(s)(ii) of these Rules, then subsequent to its execution as a UPIP Order pursuant to Chapter V, Section 29(p) of these Rules, the GDO will be permitted to immediately execute directly against the remaining size of the UPIP/Directed Order.

It shall be considered conduct inconsistent with just and equitable principles of trade for any EP to directly or indirectly enter, modify or cancel quotes or orders on BOX for the purpose of disrupting, prematurely terminating or manipulating any Improvement Auction.

- 5) If any quantity of the Directed Order remains unexecuted after execution with the GDO, then the Directed Order will be filtered against trading through the current NBBO according to the procedures set forth in Chapter V, Section 16(b)(iii)(2)(c) of these Rules and, if applicable, placed on the BOX Book.

(d) With respect to classes of options to which a Market Maker is not appointed, it should not engage in transactions for an account in which it has an interest that are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in this Section 5 with respect to those classes of options to which it is appointed.

(e) Market Makers should not effect purchases or sales on BOX except in a reasonable and orderly manner.

(f) If BOXR finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Section, such Market Maker will be subject to disciplinary action or suspension or revocation of registration by BOXR in one or more of the securities in which the Market Maker is registered. Nothing in this Section will limit any other power of the Board under these Rules, or procedures of BOXR with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Section 5.

(See BSE Rules Chapter XV, "Specialists", Section 1, "Registration").

Supplementary Material to Section 5(c)(ii)

.01 Market Makers are expected to act upon Directed Orders as immediately as practicable, which must not exceed three seconds.

.02 When a Market Maker's quote is taken down to establish the GDO pursuant to paragraph (c)(ii)(1) of this Rule, such time without posting a quote shall not count for the Market Maker for purposes of fulfilling his obligations under Section 6(d) of this Chapter VI.

Amended.

November 16, 2004.

December 22, 2004.

March 20, 2006.

June 30, 2006.

August 31, 2006.

September 19, 2006.

January 16, 2007.

June 1, 2007.

June 21, 2007.

July 2, 2007.

January 18, 2008.

September 30, 2008.

January 26, 2009.

May 21, 2009.

August 18, 2009.

November 24, 2009.

February 22, 2010.

March 29, 2010.

April 15, 2010.

June 21, 2010.

July 24, 2010.

December 13, 2010.

December 16, 2010.

March 18, 2011.

Sec. 6 Market Maker Quotations

(a) *Size Associated with Quotes.* A Market Maker's bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the Market Maker is willing to buy from or sell to Customers. Every Market Maker bid or offer must have an initial size of at least ten (10) contracts.

(b) *Two-Sided Quotes.*

- i. A Market Maker that enters a bid (offer) in a class in which he is appointed on BOX must enter an offer (bid) within the spread allowable under Section 5 of this Chapter VI.
- ii. If a Market Maker is not already posting a two-sided quote in a series in

a class in which he is appointed as Market Maker, he must post an initial valid two-sided quote within three (3) seconds of receiving any RFQ message issued. A valid two-sided quote must be continuously maintained, without interruption by the Market Maker for at least thirty (30) seconds. However, if during the 30 second time frame the quote becomes invalid, a Market Maker must as soon as practicable, but within five (5) seconds, post a valid quote.

- iii. Every RFQ message issued, and every Market Maker responsive quote, must be for an initial minimum size of at least ten contracts, and must be within the spread allowable under Section 5 of this Chapter VI.
- iv. A Market Maker may be called upon by an Options Official to submit a single valid two-sided quote in one or more of the series of an options class to which the Market Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of fair and orderly markets. The Market Maker must post the valid quote within three (3) seconds of receiving such message. A valid two-sided quote must be continuously maintained, without interruption by the Market Maker for at least thirty seconds (30). However, if during the 30 second time frame the quote becomes invalid, a Market Maker must as soon as practicable, but within five (5) seconds, post a valid quote.

(c) *Firm Quotes.* (See BSE Rules Chapter II, "Dealings on the Exchange", Section 7, "Dissemination of Quotations").

- i. Market Maker bids and offers are firm for all orders under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("Rule 602") for the number of contracts specified in the bid or offer and according to the requirements of paragraph (a) above.
- ii. Market Maker bids and offers are not firm under this Rule and Rule 602 if:
 - 1) a system malfunction or other circumstance impairs BOX's ability to disseminate or update market quotes in a timely and accurate manner;
 - 2) Reserved.
 - 3) during the pre-opening phase; or
 - 4) any of the circumstances provided in Rule 602 exist. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 7, "Dissemination of Quotations").
- iii. *Thirty Seconds Rule.* Within thirty seconds of receipt of a Customer Order to buy or sell an option in an amount greater than its published quotation size, a Market Maker will execute the entire order or that portion of the order equal to its published quotation size and the bid or offer price will be revised.

(d) *Continuous Quotes.* A Market Maker must enter quotations for the options classes to which it is appointed, as follows:

On a daily basis, a Market Maker must participate in the pre-opening phase and thereafter make markets consistent with the applicable quoting requirements specified in these rules, such that on a daily basis a Market Maker must post valid quotes at least sixty percent (60%) of the time that the class(es) are open for trading. These obligations will apply to

all of the Market Maker's appointed classes collectively, rather than on a class-by-class basis.

If a technical failure or limitation of the BOX Trading Host prevents a Market Maker from maintaining, or prevents a Market Maker from communicating to BOX, timely and accurate electronic quotes in an appointed class, the duration of such failure shall not be considered in determining whether the Market Maker has satisfied the 60% quoting obligation with respect to that particular options class. An Options Official may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(e) *Options Classes Other Than Those to Which Appointed.* A Market Maker may enter all order types permitted to be entered by Customers under the Rules to buy or sell options in classes of options listed on BOX to which the Market Maker is not appointed under Section 4 of this Chapter VI, provided that:

- i. Market Maker orders are subject to the limitations contained in Chapter V, Section 17 of these Rules (Customer Orders and Order Flow Providers) as those paragraphs apply to principal orders entered by Options Participants.
- ii. The Market Maker does not enter orders in options classes to which an affiliated Options Participant is otherwise appointed as a Market Maker.
- iii. Executions are subject to the limits provided in Section 4(e) of this Chapter VI.

(f) *Exemptive Authority.* Until six months from the date on which BOX commences operations, the Board may grant Market Makers exemptions from the requirements of paragraph (e)(iii) of this rule, subject to the following:

- i. Any exemption would be conditioned on the Participant performing Market Maker functions in the classes it trades;
- ii. An exemption could be revoked by BOXR at any time if the Market Maker is not acting in accordance with the terms of the exemption; and
- iii. No exemption would have a term of more than one month, but would be renewable on a monthly basis until all listed options classes were open for trading.

Amended.

June 2, 2009.
September 18, 2009.
April 26, 2010.
October 7, 2010.

Supplementary Material to Section 6

.01 Under this Section 6, in order to be deemed 'valid' a Market Maker's initial quoted size must be for at least ten (10) contracts. This initial minimum size shall apply regardless of whether a Market Maker receives an RFQ message, is called upon by an Options Official to post a quote, or otherwise.

The initial size of the Market Maker's valid quote may subsequently be depleted in size below the minimum size due to executions with the quote and the quote shall remain valid as long as the Market Maker's quote has not been changed or updated as to price or size. This depleted quote size shall remain valid until 1) the Market Maker's quoted size is completely exhausted, whereupon the Market Maker must once again post a valid quote with a valid initial size of ten (10) contracts, or 2) the Market Maker updates or changes the posted quote, whereupon such quote must meet the minimum initial size of ten (10) contracts in order to be deemed valid.

Amended.

October 7, 2010.

Sec. 7 Securities Accounts and Orders of Market Makers

(a) *Identification of Accounts.* In a manner prescribed by BOXR, each Market Maker shall file with BOXR and keep current a list identifying all accounts for stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity and related securities trading in which the Market Maker may, directly or indirectly, engage in trading activities or over which it exercises investment discretion. No Market Maker shall engage in stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity or related securities trading in an account which has not been reported pursuant to this Section. (See BSE Rules Chapter XV, "Specialists", Sections 1 and 2, generally).

(b) *Reports of Orders.* Each Market Maker shall, upon the request of BOXR and in the prescribed form, report to BOXR every order entered by the Market Maker for the purchase or sale of (i) a security underlying options traded on BOX, or (ii) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Section. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.

(c) *Joint Accounts.* No Market Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is an Options Participant and unless such account is reported to, and not disapproved by, BOXR. Such reports in a form prescribed by BOXR shall be filed with BOXR before any transaction is effected on BOXR for such joint account. A participant in a joint account must:

- i. Be either a Market Maker or a Clearing Participant that carries the joint account.
- ii. File and keep current a completed application on such form as is prescribed by BOXR.
- iii. Be jointly and severally responsible for assuring that the account complies with all the Rules of the Exchange.
- iv. Not be a Market Maker appointed to the same options classes to which the joint account holder is also appointed as a Market Maker.

(See BSE Rules Chapter XV, "Specialists", Section 7, "Joint Accounts").

Amended.

July 7, 2008.

Sec. 8 Letters of Guarantee

(a) *Required of Each Market Maker.* No Market Maker shall make any transactions on BOX unless a Letter of Guarantee has been issued for such Participant by a Clearing Participant and filed with BOXR, and unless such Letter of Guarantee has not been revoked pursuant to paragraph (c) of this Section.

(b) *Terms of Letter of Guarantee.* A Letter of Guarantee shall provide that the issuing Clearing Participant accepts financial responsibilities for all BOX Transactions made by the guaranteed Participant.

(c) *Revocation of Letter of Guarantee.* A Letter of Guarantee filed with BOXR shall remain in effect until a written notice of revocation has been filed with BOXR by the Guarantor Clearing Participant. A revocation shall in no way relieve a Clearing Participant of responsibility for transactions guaranteed prior to the effective date of such revocation.

Sec. 9 Financial Requirements for Market Makers

(a) Pursuant to Chapter XXII, Section 2 of the BSE Rules (Capital and Equity Requirements), each Market Maker shall maintain (i) net liquidating equity in its Market Maker account of not less than \$200,000, and in conformity with such guidelines as the Board may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each Market Maker which is a Clearing Participant shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each Market Maker account, without regard to the number of Market Maker accounts per firm. The term "net liquidating equity" means the sum of positive cash balances and long securities positions less negative cash balances and short securities positions.

(b) Each Market Maker that makes an arrangement to finance his transactions as a Market Maker must identify in writing to BOXR the source of the financing and its terms. BOXR must be informed immediately of the intention of any party to terminate or change any such arrangement.

Amended.

May 14, 2012.

Sec. 10 Limitations on Dealings

(a) *General Rule.* A Market Maker on BOX may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier between the market making activities and the Other Business Activities. "Other Business Activities" means:

- i. conducting an investment banking or public securities business;
- ii. making markets in the stocks underlying the options in which it makes

markets; or

- iii. functioning as an Order Flow Provider, except where such Market Maker, or broker-dealer with which such Market Maker is affiliated: (A) engages solely in proprietary trading and does not, under any circumstance, maintain customer accounts or solicit or accept orders or funds from or on behalf of public customers, including broker-dealers and other securities firms, and (B) does not place or accept directed orders or utilize any other order types which call for the participation of, or interaction with, public customers, including broker-dealers and other securities firms.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(b) "*Information Barrier*". For the purposes of this Section, an Information Barrier is an organizational structure in which:

- i. The market making functions are conducted in a physical location separate from the locations in which the Other Business Activities are conducted, in a manner that effectively impedes the free flow of communications between designated representatives of an Options Participant performing the function of a Market Maker and persons conducting the Other Business Activities. However, upon request and not on his own initiative, a designated representative of an Options Participant performing the function of a Market Maker may furnish to a person performing the function of an OFP or other persons at the same firm or an affiliated firm ("affiliated persons"), the same market or trading information, so long as the Market Maker also may make available such information to non-affiliated persons with whom the Market Maker may have the same type of business relationship. The designated representative of a Market Maker must provide such information to affiliated persons in the same manner that he would make such information available to a non-affiliated person.
- ii. There are procedures implemented to prevent the use of material non-public corporate or market information in the possession of persons on one side of the barrier from influencing the conduct of persons on the other side of the barrier. These procedures, at a minimum, must provide that:
 - 1) the designated representative of an Options Participant performing the function of a Market Maker does not take advantage of knowledge of pending transactions, order flow information, corporate information or recommendations arising from the Other Business Activities; and
 - 2) all information pertaining to the Market Maker's positions and trading activities is kept confidential and not made available to persons on the other side of the Information Barrier, except as provided in Paragraph (b)(i) of this Section 10.

(c) Persons on one side of the barrier may not exercise influence or control over persons on the other side of the barrier, provided that:

- i. the market making function and the Other Business Activities may be under common management as long as any general management oversight does not conflict with or compromise the Market Maker's responsibilities under the Rules of the Exchange; and
- ii. the same person or persons (the "Supervisor") may be responsible for the supervision of the market making and OFP functions of the same firm or affiliated firms in order to monitor the overall risk exposure of the firm or affiliated firms. While the Supervisor may establish general trading parameters with respect to both market making and other proprietary trading other than on an order-specific basis, the Supervisor may not:
 - 1) actually perform the function of either a Market Maker or OFP;
 - 2) provide to any person performing the function of an OFP any information relating to market making activity beyond the information that a designated representative of an Options Participant performing the function of a Market Maker may provide under subparagraph (b)(i), above; nor
 - 3) provide a designated representative of an Options Participant performing the function of Market Maker with specific information regarding the firm's pending transactions or order flow arising out of its OFP activities.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(d) *Documenting and Reporting of Information Barrier Procedures.* An Options Participant implementing an Information Barrier pursuant to this Section shall submit to BOX a written statement setting forth:

- i. The manner in which it intends to satisfy the conditions in paragraph (b) of this Section, and the compliance and audit procedures it proposes to implement to ensure that the Information Barrier is maintained;
- ii. The names and titles of the person or persons responsible for maintenance and surveillance of the procedures;
- iii. A commitment to provide BOXR with such information and reports as BOXR may request relating to its transactions;
- iv. A commitment to take appropriate remedial action against any person violating this Section or the Participant's internal compliance and audit procedures adopted pursuant to paragraph (c)(i) of this Section, and that it recognizes that BOXR may take appropriate remedial action, including (without limitation) reallocation of securities in which it serves as a Market Maker, in the event of such a violation;
- v. Whether the Participant or an affiliate intends to clear its proprietary trades and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the Participant's Information Barrier, which procedures, at a minimum, must be the same as those used by the Participant or the affiliate to clear

for unaffiliated third parties; and

- vi. That it recognizes that any trading by a person while in possession of material, non-public information received as a result of the breach of the internal controls required under this Section may be a violation of Rules 10b-5 and 14e-3 under the Exchange Act or one or more other provisions of the Exchange Act, the Rules thereunder or the Rules of the Exchange, and that BOXR intends to review carefully any such trading of which it becomes aware to determine whether a violation has occurred.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(e) *Exchange Approval of Information Barrier Procedures.* The written statement required by paragraph (d) of this Section must detail the internal controls that the Participant will implement to satisfy each of the conditions stated in that Rule, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If BOXR determines that the organizational structure and the compliance and audit procedures proposed by the Participant are acceptable under this Section, BOXR shall so inform the Participant, in writing. Absent BOXR finding a Participant's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 36, "Specialist Member Organizations Affiliated with an Approved Person").

(f) *Clearing Arrangements.* Paragraph (c)(v) permits a Options Participant or an affiliate of the Options Participant to clear the Participant's Market Maker transactions if it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the Information Barrier. In this regard:

- i. The procedures must provide that any information pertaining to Market Maker securities positions and trading activities, and information derived from any clearing and margin financing arrangements, may be made available only to those employees (other than employees actually performing clearing and margin functions) specifically authorized under this Section to have access to such information or to other employees in senior management positions who are involved in exercising general managerial oversight with respect to the market making activity.
- ii. Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under the Exchange's and BOX Rules.

(g) Market Makers in compliance with Paragraphs (a)-(f) of this Section 10 may receive and handle Directed Orders on an agency basis pursuant to Section 5 of this Chapter VI.

Amended.

August 13, 2004.

May 16, 2006.

Sec. 11 Short Sales in Nasdaq National Market Securities

(a) NASD Rule 3350 ("NASD Short Sale Rule") prohibits NASD members from effecting short sales of Nasdaq National Market securities under certain circumstances. The NASD Short Sale Rule contains an exception (the "Hedging Exception") for short sales for the account of an options market maker provided the options market maker is registered with a "qualified options exchange" as a "qualified market

maker" and the short sale is an "exempt hedge transaction" as defined in the NASD Short Sale Rule.

(b) For purposes of the NASD Short Sale Rule, a Market Maker on BOX is deemed to be a "qualified options market maker" for each options class to which such Market Maker has been appointed on BOX.

(c) If, in accordance with paragraph (d) of Section 4 of this Chapter VI, BOXR determines that a Market Maker has failed to meet minimum performance standards for any options class to which such Market Maker has been appointed on BOX, such Market Maker automatically loses its status as a "qualified options market maker" for purposes of the NASD Short Sale Rule until such Market Maker demonstrates to the satisfaction of BOXR that it meets the minimum performance standards.

(d) BOXR will surveil all Market Makers use of the Hedging Exception to determine whether they are in compliance with the NASD Short Sale Rule.

(e) BOXR may withdraw, suspend or modify a Market Maker's eligibility for the Hedging Exception, as the result of a disciplinary action. If BOXR determines that such withdrawal, suspension or modification is warranted in light of the substantial, willful, or continuing nature of the violation, then the NASD is authorized to withdraw, suspend or modify the designation of a qualified options market maker.

(f) Short sales of a security of a company involved in a publicly announced merger or acquisition by or for the account of a Market Maker will be deemed to be an "exempt hedge transaction" under the NASD Short Sale Rule if the short sale was made to hedge existing or prospective positions (based on communicated indications of interest) in options on a security of another company involved in the merger or acquisition, where the options positions are or will be in a class of options to which the Market Maker is appointed under Chapter VI, Section 4 of these Rules, and were or will be established in the course of bona fide market making activity.

(See BSE Rules Chapter XXXV, "Trading in Nasdaq Securities, Section 26, "Short Sales").

Amended

May 16, 2006.

Sec. 12 Standard Market Maker Protection Mechanism

(a) Trade Counter

The Trading Host will maintain a "trade counter" for each Market Maker on each class to which the Market Maker is appointed. This trade counter will be incremented by one every time the Market Maker executes a trade of at least 10 contracts on any series in the appointed class. Whenever the Trading Host receives from the Market Maker a message to update or refresh any of his quotes on any of the options series in the same class, the trade counter at the Trading Host for that class will be reset to zero.

(b) Standard Market Maker Protection Mechanism

The Trading Host will implement the Standard Market Maker Protection Mechanism on an appointed class whenever the following conditions are met:

- 1. The trade counter has reached "n" executions against the quotes of the Market Maker in the Market Maker's appointed class; and**
- 2. the Trading Host has not received from the Market Maker a message to update or refresh any of his quotes on any of the options series in the same class before the "n" executions have occurred.**

When the above conditions are met, the Trading Host will automatically cancel all quotes posted by the Market Maker on that class by generating a "bulk cancel" message.

(c) The bulk cancel message will have the same time priority as any other quote or order message received by BOX. Any orders or quotes that matched with the Market Maker's quote and were received by the Trading Host prior to the receipt of the bulk cancel message will be automatically executed. Orders or quotes received by the Trading Host after receipt of the bulk cancel message will not be executed against the Market Maker. At any time the Market Maker may update or refresh any of its quotes for any of the options series in the same class and reset the trade counter to zero.

(d) The Board shall determine the appropriate trade counter threshold of "n" executions required in paragraph (b) above to implement the Standard Market Maker Protection Mechanism. In no case will the threshold be lower than five.

Amended.

January 18, 2005.

Sec. 13 Advanced Market Maker Protection Mechanism

(a) The Advanced Market Maker Protection Mechanism is enabled (or disabled) for an options class when a Market Maker sends an Advanced Market Maker Protection enabling (or disabling) message to the Trading Host. Unless enabled, the Advanced Market Maker Protection Mechanism is disabled for all options classes.

(b) When the Advanced Market Maker Protection Mechanism is enabled for a Market Maker's appointed options class, any "bulk quote" message sent by the Market Maker on that class is automatically rejected as soon as one of the following activating events occurs:

- i. The Market Maker's Standard Market Maker Protection Mechanism is triggered for that class, pursuant to Section 12; or
- ii. The Market Maker activates the Panic Quote function for that class pursuant to Section 14.

(c) Once the Advanced Market Maker Protection Mechanism has been activated for an options class, any bulk quote messages sent by the Market Maker on that class will continue to be rejected until the Market Maker sends an Advanced Market Maker Protection enabling or disabling message to the Trading Host.

(d) For purposes of this Section 13, a "bulk quote" message is a single message from a Market Maker that simultaneously updates all of the Market Maker's quotes in multiple series in a class at the same time.

Amended.

January 18, 2005.

Sec. 14 Panic Quote

A Market Maker may simultaneously cancel all its quotes in an assigned class by sending a Panic Quote message to the Trading Host through the Panic Quote channel, or otherwise requesting BOX operations staff to manually generate the Panic Quote message to the Trading Host in order to cancel all of the Market Maker's quotes in that class.

Adopted.

January 18, 2005.

Sec. 15 Automatic Quote Cancellation:

(a) Automatic Quote Cancellation is enabled (or disabled) for a Market Maker's appointed options class(es) when a Market Maker sends an Automatic Quote Cancellation enabling (or disabling) message to the Trading Host. The Market Maker must provide specific information in the enable message that sets forth the parameters that, if met, will cause the Trading Host to cancel the Market Maker's quotes in the specified class(es). Unless enabled, Automatic Quote Cancellation is disabled for all options classes.

(b) A Market Maker may enable Automatic Quote Cancellation by establishing triggering parameters for when the Market Maker, during a specified time period:

- (a) Experiences a duration of no technical connectivity for between one and nine seconds;
- (b) Trades a specified number of contracts in the aggregate across all series of an options class;
- (c) Trades a specified absolute dollar value of contracts bought and sold in a class;
- (d) Trades a specified number of contracts in a class of the net between (i) calls purchased plus puts sold, and (ii) calls sold and puts purchased; or,
- (e) Trades a specified absolute dollar value of the net position in a class between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts purchased and sold; or (iv) puts and calls sold.

Adopted.

March 13, 2007.

Amended.

August 28, 2011.

Sec. 16 Quote Removal Mechanism Upon Technical Disconnect:

- (a) When the Trading Host loses communication with a Gateway such that the Trading Host does not receive any Heartbeat messages from a particular Gateway for a period of "n" seconds the Quote Removal Mechanism Upon Technical Disconnect will automatically cancel all Market Maker quotes posted through the affected Gateway.
- (b) The Quote Removal Mechanism Upon Technical Disconnect is enabled for all Market Makers' appointed options classes. The Quote Removal Mechanism Upon Technical Disconnect may not be disabled by Options Participants.
- (c) BOXR shall determine the appropriate period ("n" seconds) of no technical connectivity, as required in paragraph (a) above, to trigger the Quote Removal Mechanism Upon Technical Disconnect. BOXR shall notify Market Makers of the value of "n" seconds via Regulatory Circular. In no event shall "n" be less than one (1) second or exceed nine (9) seconds.
- (d) The trigger of the Quote Removal Mechanism Upon Technical Disconnect is event and Gateway specific. The automatic cancellation of the Market Makers' quotes entered into the Trading Host via a particular Gateway will neither impact nor determine the treatment

of the quotes of the same or other Market Makers entered into the Trading Host via a separate and distinct Gateway.

Supplementary Material to Section 16

- .01** A “Gateway” is the system component through which Market Makers communicate their quotes to the Trading Host.
- .02** A “Heartbeat” message is a communication which acts as a virtual pulse between a Gateway and the Trading Host. The Heartbeat message sent by the Gateway and subsequently received by the Trading Host allows the Trading Host to continually monitor its connection with the Gateways.

Adopted.

July 8, 2008.

Chapter VII. Exercises and Deliveries

Sec. 1 Exercise of Options Contracts

(a) Subject to the restrictions set forth in Chapter III, Section 9 of these Rules (Exercise Limits) and to such restrictions as may be imposed pursuant to Chapter III, Section 12 of these Rules (Other Restrictions on Options Transactions and Exercises) or pursuant to the Rules of the Clearing Corporation, an outstanding options contract may be exercised during the time period specified in the Rules of the Clearing Corporation by the tender to the Clearing Corporation of an exercise notice in accordance with the Rules of the Clearing Corporation. An exercise notice may be tendered to the Clearing Corporation only by the Clearing Participant in the account of which such options contract is carried with the Clearing Corporation. Participants may establish fixed procedures as to the latest time they will accept exercise instructions from customers.

(b) Special procedures apply to the exercise of equity options on the last business day before their expiration ("expiring options"). Unless waived by the Clearing Corporation, expiring options are subject to the Exercise-by-Exception ("Ex-by-Ex") procedure under Clearing Corporation Rule 805. This Rule provides that, unless contrary instructions are given, option contracts that are in-the-money by specified amounts shall be automatically exercised. In addition to the Rules of the Clearing Corporation, the following Exchange requirements apply with respect to expiring options. Option holders desiring to exercise or not exercise expiring options must either:

- i. take no action and allow exercise determinations to be made in accordance with the Clearing Corporation's Ex-by-Ex procedure where applicable; or
- ii. submit a "Contrary Exercise Advice" to the Exchange as specified in paragraph (d) below.

(c) Exercise cut-off time. Option holders have until 5:30 p.m. Eastern Time on the business day immediately prior to the expiration date or, in the case of Quarterly Options Series, on the expiration date, to make a final decision to exercise or not exercise an expiring option. Participants may not accept exercise instructions after 5:30 p.m. Eastern Time.

(d) Submission of the Contrary Exercise Advices. A Contrary Exercise Advice is a communication either: (a) to not exercise an option that would be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure, or (b) to exercise an option that would not be automatically exercised under the Clearing Corporation's Ex-by-Ex procedure.

(i) A Contrary Exercise Advice may be submitted by a Participant by using the Exchange's Contrary Exercise Advice Form, the Clearing Corporation's ENCORE system, a Contrary Exercise Advice form of any other national securities exchange of which the firm is a Participant and where the option is listed, or such other method as the Exchange may prescribe. A Contrary Exercise Advice may be canceled by filing an "Advice Cancel" with the Exchange or resubmitted at any time up to the submission cut-off times specified below.

(ii) Deadline for CEA Submission for Customer Accounts. Participants have until 7:30 Eastern Time to submit a Contrary Exercise to the Exchange.

(iii) Deadline for CEA Submission for Non-Customer Accounts. Participants have until 7:30 Eastern Time to submit a Contrary Exercise to the Exchange if such Participant employs an electronic submission procedure with time stamp for the submission of exercise instructions by options holders. Participants are required to manually submit a Contrary Exercise Advice by 5:30 p.m. for non-customers accounts if such Participants do

not employ an electronic submission procedure with time stamp for the submission of exercise instructions by options holders.

(e) If the Clearing Corporation has waived the Ex-by-Ex procedure for an options class, Participants must either:

- i. submit to the Exchange, a Contrary Exercise Advice, in a manner specified by the Exchange, within the time limits specified in paragraph (d) above if the holder intends to exercise the option; or
- ii. take no action and allow the option to expire without being exercised.

In cases where the Ex-by-Ex procedure has been waived, the Rules of the Clearing Corporation require that Participants wishing to exercise such options must submit an affirmative Exercise Notice to the Clearing Corporation, whether or not a Contrary Exercise Advice has been filed with the Exchange.

(f) A Participant that has accepted the responsibility to indicate final exercise decisions on behalf of another Participant or non- Participant broker-dealer shall take the necessary steps to ensure that such decisions are properly indicated to the Exchange. Such Participant may establish a processing cut-off time prior to the Exchange's exercise cut-off time at which it will no longer accept final exercise decisions in expiring options from option holders for whom it indicates final exercise decisions. Each Participant that indicates final exercise decisions through another broker-dealer is responsible for ensuring that final exercise decisions for all of its proprietary (including market maker) and public customer account positions are indicated in a timely manner to such broker-dealer.

(g) Notwithstanding the foregoing, Participants may make final exercise decisions after the exercise cut-off time but prior to expiration without having submitted a Contrary Exercise Advice in the circumstances listed below. A memorandum setting forth the circumstance giving rise to instructions after the exercise cutoff time shall be maintained by the Participant and a copy thereof shall be filed with the Exchange no later than 12:00 noon Eastern Time on the first business day following the respective expiration. An exercise decision after the exercise cut-off time may be made:

- (i) in order to remedy mistakes or errors made in good faith; or
- (ii) where exceptional circumstances have restricted an option holder's ability to inform a Participant of a decision regarding exercise, or a Participant's ability to receive an option holder's decision by the cut-off time. The burden of establishing any of the above exceptions rests solely on the Participant seeking to rely on such exceptions.

(h) In the event the Exchange provides advance notice on or before 5:30 p.m. Eastern Time on the business day immediately prior to the last business day before the expiration date indicating that a modified time for the close of trading in equity options on such last business day before expiration will occur, then the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. Eastern Time deadline found in Paragraph (c) of this Section 1. However, Participants have until 7:30 Eastern Time to deliver a Contrary Exercise Advice or Advice Cancel to the Exchange for customer accounts and non-customer accounts where such Participant employs an electronic submission procedure with time stamp for the submission of exercise instructions. For non-customer accounts, Participants that do not employ an electronic procedure with time stamp for the submission of exercise instructions are required to deliver a Contrary Exercise Advice or Advice Cancel within 1 hour and 30 minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. Eastern Time deadline found in Paragraph(d) of this Section 1.

- (i) Modification of cut-off time.
 - i. the Exchange may establish extended cut-off times for decision to exercise or not exercise an expiring option and for the submission of Contrary Exercise Advices on a case-by-case basis due to unusual circumstances. For purposes of this subparagraph (h)(i), an "unusual circumstance" includes, but is not limited to, increased market volatility; significant order imbalances; significant volume surges and/or systems capacity constraints; significant spreads between the bid and offer in underlying securities; internal system malfunctions affecting the ability to disseminate or update market quotes and/or deliver orders; or other similar occurrences.
 - ii. the Exchange with at least one (1) business day prior advance notice, by 12:00 noon on such day, may establish a reduced cut-off time for the decision to exercise or not exercise an expiring option and for the submission of Contrary Exercise Advices on a case-by-case basis due to unusual circumstances; provided, however, that under no circumstances should the exercise cut-off time and the time for submission of a Contrary Exercise Advice be before the close of trading. For purposes of this subparagraph (h)(ii), an "unusual circumstance" includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day immediately prior to expiration.

(j) Submitting or preparing an exercise instruction, contrary exercise advice or advice cancel after the applicable exercise cut-off time in any expiring options on the basis of material information released after the cut-off time is activity inconsistent with just and equitable principles of trade.

(k) The failure of any Participant to follow the procedures in this Section 1 may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by the Exchange.

(l) Clearing Participants must follow the procedures of the Clearing Corporation when exercising American-style cash-settled index options contracts issued or to be issued in any account at the Clearing Corporation. Options Participants must also follow the procedures set forth below with respect to American-style cash-settled index options:

- i. For all contracts exercised by the Options Participant or by any customer of the Options Participant, an "exercise advice" must be delivered by the Options Participant in such form or manner prescribed by the Exchange no later than 4:20 p.m. Eastern Time, or if trading hours are extended or modified in the applicable options class, no later than five (5) minutes after the close of trading on that day.
- ii. Subsequent to the delivery of an "exercise advice," should the Options Participant or a customer of the Options Participant determine not to exercise all or part of the advised contracts, the Options Participant must also deliver an "advice cancel" in such form or manner prescribed by the Exchange no later than 4:20 p.m. Eastern Time, or if trading hours are extended or modified in the applicable options class, no later than five (5) minutes after the close of trading on that day.

- iii. The Options Official may determine to extend the applicable deadline for the delivery of "exercise advice" and "advice cancel" notifications pursuant to this paragraph (l) if unusual circumstances are present.
- iv. No Options Participant may prepare, time stamp or submit an "exercise advice" prior to the purchase of the contracts to be exercised if the Options Participant knew or had reason to know that the contracts had not yet been purchased.
- v. The failure of any Options Participant to follow the procedures in this paragraph (l) may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by the Exchange.
- vi. Preparing or submitting an "exercise advice" or "advice cancel" after the applicable deadline on the basis of material information released after such deadline, in addition to constituting a violation of this Rule, is activity inconsistent with just and equitable principles of trade.
- vii. The procedures set forth in subparagraphs (i)-(ii) of this subparagraph (l) do not apply (a) on the business day prior to expiration in series expiring on a day other than a business day or (b) on the expiration day in series expiring on a business day.
- viii. Exercises of American-style, cash-settled index options (and the submission of corresponding "exercise advice" and "advice cancel" forms) shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:
 - 1) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the rules of the Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by the Exchange, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension.
 - 2) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration.
 - 3) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 4:00 p.m. Eastern Time. In the event of such a trading halt, exercises may occur through 4:20 p.m. Eastern Time. In addition, if trading resumes following such a trading halt (pursuant to the procedure

described in Section 9 of Chapter V of these Rules (Opening the Market)), exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph 3) are subject to the authority of the Options Official to impose restrictions on transactions and exercises pursuant to Section 14 of Chapter III of these Rules (Limit on Outstanding Uncovered Short Positions).

4. The Options Official may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

Supplementary Material

.01 For purposes of this Section 1, the terms "customer account" and "non-customer account" have the same meaning as defined in the Clearing Corporation By-Laws Article I(C)(28) and Article I(N)(2), respectively

.02 Each Participant shall prepare a memorandum of every exercise instruction received showing the time when such instruction was so received. Such memoranda shall be subject to the requirements of SEC Rule 17a-4(b).

.03 Each Participant shall establish fixed procedures to insure secure time stamps in connection with their electronic systems employed for the recording of submissions to exercise or not exercise expiring options.

.04 The filing of a Contrary Exercise Advice required by this Section 1 does not serve to substitute as the effective notice to the Clearing Corporation for the exercise or non-exercise of expiring options.

Amended.

February 4, 2004.
March 28, 2006.
August 31, 2006.
July 17, 2007.
September 4, 2010.
October 20, 2010.

Sec. 2 Allocation of Exercise Notices

(a) Each Options Participant shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in such Options Participant's customers' accounts. The allocation shall be on a "first in, first out," or automated random selection basis that has been approved by BOXR, or on a manual random selection basis that has been specified by BOXR. Each Options Participant shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' account, explaining its manner of operation and the consequences of that system.

(b) Each Options Participant shall report its proposed method of allocation to BOXR and obtain BOXR's prior approval thereof, and no Options Participant shall change its method of allocation unless the change has been reported to and approved by BOXR. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another SRO having comparable standards pertaining to methods of allocation.

(c) Each Options Participant shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Sec. 3 Delivery and Payment

(a) Delivery of the underlying security upon the exercise of an options contract, and payment of the aggregate exercise price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation.

(b) As promptly as possible after the exercise of an options contract by a customer, the Options Participant shall require the customer to make full cash payment of the aggregate exercise price in the case of a call options contract, or to deposit the underlying security in the case of a put options contract, or to make the required margin deposit in respect thereof if the transaction is effected in a margin account, in accordance with the BSE Rules, the provisions of Chapter XIII of these Rules, and the applicable regulations of the Federal Reserve Board.

(c) As promptly as practicable after the assignment to a customer of an exercise notice the Options Participant shall require the customer to deposit the underlying security in the case of a call options contract if the underlying security is not carried in the customer's account, or to make full cash payment of the aggregate exercise price in the case of a put options contract, or in either case to deposit the required margin in respect thereof if the transaction is effected in a margin account, in accordance with the BSE Rules, the provisions of Chapter XIII of these Rules, and the applicable regulations of the Federal Reserve Board.

Amended

May 14, 2012.

Chapter VIII. Records, Reports and Audits

Sec. 1 Maintenance, Retention and Furnishing of Books, Records and Other Information

(a) Each Options Participant shall make, keep current and preserve such books and records as BOXR may prescribe pursuant to the Rules of the Exchange and as may be prescribed by the Exchange Act and the rules and regulations thereunder.

(b) No Options Participant shall refuse to make available to BOXR such books, records or other information as may be called for under the Rules of the Exchange or as may be requested in connection with an investigation by BOXR.

(c) All Options Participants shall prepare and make available all books and records as required by the Rules of the Exchange in English and U.S. dollars.

(See Constitution Article XIV, "Expulsion and Suspension", Section 6, "Exchange Inquiries"; BSE Rules Chapter II, "Dealings on the Exchange", Section 15, "Record of Orders from Offices to Floor"; Chapter XV, "Specialists", Section 8, "Records", Chapter XXII, "Financial Reports and Requirements", generally; Chapter XIII, "Margin Requirements," of these Rules).

Supplementary Material to Section 1

.01 In addition to the existing obligations under the Rules of the Exchange regarding the production of books and records, a Market Maker in non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, shall make available to BOXR such books, records or other information pertaining to transactions in the applicable non-U.S.-currency options, futures or options on futures on such currency, or any other derivatives on such currency, as may be requested by BOXR.

.02 In addition to the existing obligations under the Rules of the Exchange regarding the production of books and records, a Market Maker in commodity futures contracts, options on commodity futures contracts or any other derivatives based on such commodity, shall make available to BOXR such books, records or other information pertaining to transactions in the applicable physical commodity, physical commodity options, commodity futures contracts, options on commodity futures contracts, or any other derivatives on such commodity, as may be requested by BOXR.

Amended

July 7, 2008.

Sec. 2 Reports of Uncovered Short Positions

(a) Upon request of BOXR, each Options Participant shall submit a report of the total uncovered short positions in each options contract of a class dealt in on BOX showing:

- i. positions carried by such Options Participant for its own account and
- ii. positions carried by such Options Participant for the accounts of Customers;
- iii. provided that the Options Participant shall not report positions carried for the accounts of other Options Participants where such other Options

Participants report the positions themselves.

(b) Such report shall be submitted not later than the second business day following the date the request is made.

Sec. 3 Financial Reports and Audits

Each Options Participant shall submit to BOXR answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange or BOXR under Chapter XXII of the BSE Rules.

Amended

May 14, 2012.

Sec. 4 Automated Submission of Trade Data

(a) An Options Participant shall submit requested trade data elements, in such automated format as may be prescribed by BOXR from time to time, in regard to a transaction(s) that is the subject of the particular request for information.

(b) If the transaction was a proprietary transaction effected or caused to be effected by the Options Participant for any account in which such Participant, or any person associated with the Options Participant, is directly or indirectly interested, the Participant shall submit or cause to be submitted, any or all of the following information as requested by BOXR:

- i. Clearing house number or alpha symbol as used by the Options Participant submitting the data;
- ii. Clearing house number(s) or alpha symbol(s) as may be used from time to time, of the Options Participant(s) on the opposite side of the transaction;
- iii. Identifying symbol assigned to the security and where applicable for the options month and series symbols;
- iv. Date transaction was executed;
- v. Number of option contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale, as well as:
 - 1) the number of shares traded or held by accounts for which options data is submitted;
 - 2) where applicable, the number of shares for each specific transaction and whether each transaction was a purchase, sale or short sale;
- vi. Transaction price;
- vii. Account number; and

viii. Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the Options Participant for any Customer, such Options Participant shall submit or cause to be submitted any or all the following information as requested by BOXR:

- i. Data elements (i) through (viii) of paragraph (b) above;
- ii. If the transaction was effected for a Public Customer, customer name, address(es), branch office number, representative number, whether the order was discretionary, solicited or unsolicited, date the account was opened and employer name and tax identification number(s); and
- iii. If the transaction was effected for a Participant broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of BOXR's request.

(d) In addition to the above trade data elements, an Options Participant shall submit such other information in such automated format as may be prescribed by BOXR, as may from time to time be required.

(e) BOXR may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (b) and (c) above be submitted to BOXR in an automated format.

Sec. 5 Regulatory Cooperation

(a) BOXR may enter into agreements that provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes, with domestic and foreign self-regulatory organizations, as well as associations and contract markets and the regulators of such markets.

(b) No Options Participant, partner, officer, director or other person associated with a Participant or other person or entity subject to the jurisdiction of the Exchange or BOXR shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange or BOXR requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange or BOXR pursuant to paragraph (a) of this Section, including but not limited to Participants and affiliates of the Intermarket Surveillance Group. The requirements of this paragraph (b) shall apply regardless whether the Exchange or BOXR has itself initiated a form investigation or disciplinary proceeding. (See BX Rules 9000 Series, generally).

(c) Whenever information is requested by the Exchange or BOXR pursuant to this Section, the Options Participant or person associated with a Participant from whom the information is requested shall have the same rights and procedural protections in responding to such request as such Participant or person would have in the case of any other request for information initiated by the Exchange or BOXR pursuant to the Exchange's or BOXR's investigative powers. (See BX 9000 Series, generally).

Amended

May 14, 2012.

Sec. 6 Risk Analysis of Market Maker Accounts

(a) Each Clearing Participant that clears or guarantees the transactions of Market Makers pursuant to Chapter VI, Section 8 of these Rules (Letters of Guarantee), shall establish and maintain written procedures for assessing and monitoring the potential risks to the Participant's capital over a specified range of possible market movements of positions maintained in such Market Maker accounts and such related accounts as BOXR shall from time to time direct.

- i. Current procedures shall be filed and maintained with BOXR.
- ii. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk management.

(b) Each affected Participant shall at a minimum assess and monitor its potential risk of loss from options Market Maker accounts each business day as of the close of business the prior day through use of a BOXR-approved computerized risk analysis program, which shall comply with at least the minimum standards specified below and such other standards as from time to time may be prescribed by BOXR:

- i. The estimated loss to the Clearing Participant for each Market Maker account (potential account deficit) shall be determined given the impact of broad market movements in reasonable intervals over a range from negative fifteen percent (15%) to positive fifteen percent (15%).
- ii. The Participant shall calculate volatility using a method approved by BOXR, with volatility updated at least weekly. The program must have the capability of expanding volatility when projecting losses throughout the range of broad market movements.
- iii. Options prices shall be estimated through use of recognized options pricing models such as, but not limited to, Black-Scholes and Cox-Reubenstein.
- iv. At a minimum, written reports shall be generated which describe for each market scenario:
 - 1) projected loss per options class by account;
 - 2) projected total loss per options class for all accounts; and
 - 3) projected deficits per account and in aggregate.

Upon direction by BOXR, each affected Participant shall provide to BOXR such information as it may reasonably require with respect to the Participant's risk analysis for any or all of its Market Maker accounts.

Sec. 7 Anti-Money Laundering Compliance Program

Each Participant shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each Participant's anti-money laundering program must be approved, in writing, by a

member of senior management of the Participant.

The anti-money laundering programs required by this Section shall, at a minimum:

- (1) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;
- (2) Establish and implement policies and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;
- (3) Provide for independent testing for compliance to be conducted by Participant personnel or by a qualified outside party;
- (4) Designate a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program; and
- (5) Provide ongoing training for appropriate persons.

Chapter IX. Summary Suspensions

Reserved.

Amended.

May 14, 2012.

Chapter X. Minor Rule Violations

Sec. 1 General

The following BOX rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Chapter XXXIV (Minor Rule Violations) and Chapter XVIII, Section 4 (Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies) of the Grandfathered Rules and impose the fine set forth below. See also BX Rule 9216. The Exchange is not required to proceed under said Sections as to any rule violation and may, whenever such action is deemed appropriate, such as in the instance of intentional conduct or a pattern of violative conduct, commence a disciplinary proceeding under BX Rules 9000 Series as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period ("Period").

Amended.

April 10, 2007. May 14, 2012.

Sec. 2 Penalty for Rule Violations

(a) *Position Limit Violations.* Violations of Chapter 3, Section 7 of these Rules (Position Limit) shall be subject to the fines listed below.

Number of Violations*	Fine Amount
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth and Each Subsequent Violation	\$5,000

* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(b) *Order Entry.* Violations of Chapter V, Section 17 of these Rules (Customer Orders and Order Flow Providers) regarding limitations on orders entered into the System by OFP Participants, as well as violations of Chapter VI, Section 6(a) - (c) of these Rules, (Market Maker Quotations) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of such sections subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

Number of Violations Within One Period	Fine Amount
1 to 5	Letter of Caution
6 to 10	\$500
11 to 15	\$1000
16 to 20	\$2000

(c) *Quotation Parameters.* Violations of Chapter VI, Section 5(a)(vii) of these Rules regarding spread parameters for Market Maker quotations shall be subject to the fines listed below. For purposes of this Section, the spread parameters in Chapter VI, Section 5(a)(vii) of these Rules will not be violated upon a change in a bid (offer) if a Market Maker takes immediate action to adjust its offer (bid) to comply with the

maximum allowable spread. Except in unusual market conditions, immediate shall mean within five (5) seconds of a change in the Market Makers bid or offer.

Number of Violations Within One Period	Fine Amount
1 to 10	Letter of Caution
11 to 20	\$500
21 to 30	\$1000
31 to 40	\$2000

(d) *Continuous Quotes.* Violations of Chapter VI, Section 6(d) of these Rules regarding Market Maker continuous quotes shall be subject to the fines listed below. Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of that Market Makers appointed classes are to be added together.

Number of Cumulative Violations Within One Period	Fine Amount
1	Letter of Caution
2 or more	\$300 per day

(See also, BSE Rules Chapter XXXIV, "Minor Rule Violations", Section 2, "Rule Violations"; specifically Paragraphs (a)-(c), (e), (k)-(l)).

(e) *Failure to Timely File Amendments to Form U4, Form U5 and Form BD*

Any member, and member and/or participant organization that is required to file Form U4, Form U5 or Form BD pursuant to Chapter I-B, Section 4 through Section 6 of the Boston Stock Exchange rules, or the Securities Exchange Act of 1934, and the rules promulgated thereunder, is required to amend the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Members, and/or member and participant organizations shall amend Form U4, Form U5 or Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

FINE SCHEDULE (Implemented on a running 12 month period)

1st Occurrence	\$500.00
2nd Occurrence	\$1,000.00
3rd Occurrence	\$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with BSER

(f) *Contrary Exercise Advice Violations.* Violations of Chapter VII, Section 1(c),(d),(e),(g), and (h) of these Rules (Exercise of Options Contracts) are subject to the fines listed below. Violations are based on a rolling twenty-four month period.

Amount	Individual Fine Amount	Participant Organization Fine
Initial Offense -	\$500	\$1,000
Second Offense	\$1,000	\$2,500
Subsequent Offenses -	\$2,500	\$5,000

(g) *Locked and Crossed Market Violations.* Violations of Chapter XII, Section 3 of these Rules (Locked and Crossed Markets) regarding procedures to be followed in the instance of a Locked Market or a Crossed Market, are subject to the fines listed below.

First Offense - Letter of Caution
Second Offense - \$250
Third Offense - \$500

(h) *Market Maker Assigned Activity Violations.* Violations of Chapter VI Section 4(e) of these Rules, requiring Market Makers to limit their execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, are subject to the fines listed below.

Initial Offense - Letter of Caution
Second Offense - \$500
Third Offense - \$1000
Fourth Offense - \$2500

(i) *Request for Quote Violations.* Violations of Chapter VI, Section 6(b)(ii)-(iii) (Market Maker Quotations) in which a Market Maker must respond to a Request for Quote ("RFQ") on BOX, are subject to the fines listed below.

Initial Offense - Letter of Caution
Second Offense - \$250
Third Offense - \$500

(j) *Trade-Through Violations.* Violations of Chapter XII, Section 2 of these Rules (Order Protection) regarding trade-throughs are subject to the fines listed below.

Initial Offense - Letter of Caution
Second Offense - \$250
Third Offense - \$500

Quantifiable monetary gains attributable to trade-through transactions in excess of the defined percentage may be required to be disgorged in addition to the above-noted fines.

Amended

May 16, 2006.
April 10, 2007.
October 1, 2007.
February 15, 2008.
October 10, 2008.
August 18, 2009.
September 4, 2010.

Sec. 3 Acceptance, Waiver and Consent Procedures

BX Rules 9216 is the applicable procedure regarding Acceptance, Waiver and Consent. See also BX Rule 9000 Series, generally regarding disciplinary procedures.

Adopted.

April 10, 2007

Amended.

May 14, 2012.

Chapter XI. Doing Business with the Public

Sec. 1 Eligibility

An OFP may only transact business with Public Customers if such Participant also is a member of another registered national securities exchange or association with which the Exchange has entered into an agreement under Rule 17d-2 under the Exchange Act pursuant to which such other exchange or association shall be the designated examining authority for the OFP. Eligibility to transact business with the public shall be based upon an OFP's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Exchange Act Rule 15c3-1 (Net Capital Requirements). Such approval may be withdrawn if any such requirements cease to be met.

Sec. 2 Registration of Options Principals

(a) No OFP shall be approved to transact options business with the public until those associated persons who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options and security sales practices or a person to whom the designated general partner or executive officer (pursuant to Chapter XI, Sec. 10) or another Registered Options Principal delegates the authority to supervise options and security sales practices shall be designated as a Options Principal.

(b) In connection with their registration, Options Principals shall file an application with the Secretary on a form prescribed by the Exchange (See BSE Rules Chapter I-B, Section 4 through Section 6). Alternatively, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (FORM U4) with FINRA's Web Central Registration Depository System ("Web CRD"), shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business, and shall further agree in the U4 filing to abide by the Rules of the Exchange and the Rules of the BSE Clearing Corporation; provided, however, that Options Principals of Participants that are members of another national securities exchange or association that has standards of approval acceptable to the Exchange may be deemed to be approved by and registered with the Exchange, so long as such Options Principals are approved by and registered with such other exchange or association. Further, any person required to complete Form U4 with FINRA's Web CRD shall promptly electronically file any required amendments to Form U4 with FINRA's Web CRD system.

(c) Termination of employment or affiliation of any Options Principal in such capacity shall be reported promptly to the Exchange together with a copy of the Uniform Termination Notice for Securities Industry Registration ("Form U-5") filed with respect thereto and a statement of the reason for such termination. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", Section 5, "Notice of Termination").

(d) Individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4) or the Sales Supervisor Qualification Examination (Series 9/10).

(e) Individuals who are delegated responsibility pursuant to Section 10 of this Chapter for the acceptance of discretionary accounts, for approving exceptions to a participant's criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).

Amended.

October 1, 2007.

July 24, 2008.
February 23, 2009.
November 19, 2009.

Sec. 3 Registration of Representatives

(a) No OFP shall be approved to transact business with the public until those persons associated with it who are designated representatives have been approved by and registered with the Exchange. (BSE Rules Chapter I-B, "Business Hours", Section 3 through Section 6).

(b) Persons who perform duties for the OFP which are customarily performed by sales representatives or branch office managers shall be designated as representatives of the OFP.

(c) In connection with their registration, designated representatives shall file an application on a form prescribed by the Exchange, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the securities business and options transactions, and shall sign an agreement to abide by the Rules of the Exchange and the Rules of the Clearing Corporation; provided, however, that designated representatives of OFPs who are Participants of another national securities exchange or association that has standards of approval comparable and acceptable to the Exchange may be deemed to be approved by and registered with the Exchange, so long as such designated representatives are approved by and registered with such other exchange or association. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", generally).

(d) A person accepting orders from non-participant customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Registered Examination (Series 7).

Amended.

October 1, 2007.
July 24, 2008.
May 14, 2012.

Sec. 4 Termination of Registered Persons

(a) The discharge or termination of employment of any registered person, together with the reasons therefor, shall be reported by an OFP immediately following the date of termination, but in no event later than thirty (30) days following termination, to the Exchange on a Form U-5. A copy of said termination notice shall be provided concurrently to the person whose association has been terminated. (See BSE Rules Chapter XX, "Employees for the Solicitation of Business", Section 5, "Notice of Termination").

(b) The OFP shall report to the Exchange, by means of an amendment to the Form U-5 filed pursuant to paragraph (a) above, in the event that the OFP learns of facts or circumstances causing any information set forth in the Form U-5 to become inaccurate or incomplete. Such amendment shall be filed with the Exchange and provided concurrently to the person whose association has been terminated no later than thirty (30) days after the OFP learns of the facts or circumstances giving rise to the amendment.

(c) Any filing or submission requirement under this Section shall be deemed to be satisfied if such filing or submission is made with the North American Securities Administrators Association/National Association of Securities Dealers, Inc.'s Web Central Registration Depository ("Web CRD") within the prescribed time period.

Amended.

October 1, 2007.

Sec. 5 Continuing Education for Registered Persons

(a) *Regulatory Element.* No OFP shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this paragraph (a). Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three (3) years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date shall establish the cycle of anniversary dates for purposes of this Section 5. The content of the Regulatory Element of the program shall be determined by BOXR for each registration category of persons subject to the Rule.

- i. Persons who have been continuously registered for more than ten (10) years as of July 1, 1998, are exempt from the requirements of this Section 5 relative to participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten (10) years as enumerated in subsection a(iii)(1)-(2) of this Section 5.
 - 1) However, persons delegated supervisory responsibility or authority pursuant to Section 10 of this Chapter XI (Supervision of Accounts) and registered in such supervisory capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than ten (10) years as of the effective date of this Section 5 and provided that such supervisory person has not been subject to any disciplinary action under subsection a(iii)(1)-(2) of this Section 5.
 - 2) In the event that a registered person who is exempt from participation in the Regulatory Element subsequently becomes the subject of a disciplinary action as enumerated in subsection a(iii)(1)-(2) of this Section 5, such person shall be required to satisfy the requirements of the Regulatory Element as if the date the disciplinary action becomes final is the person's initial registration anniversary date.
- ii. *Failure to Complete.* Unless otherwise determined by BOXR, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Section 5 shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.
- iii. *Re-Entry Into Program.* Unless otherwise determined by BOXR, a registered person will be required to re-enter the Regulatory Element and satisfy all of its requirements in the event such person:
 - 1) becomes subject to any statutory disqualification as defined in

Section 3(a)(39) of the Exchange Act,

- 2) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities SRO, or as imposed by any such regulatory organization in connection with a disciplinary proceeding, or
- 3) is ordered as a sanction in a disciplinary action to re-enter the continuing education program by any securities governmental agency or securities SRO.

Re-entry shall commence with initial participation within one hundred twenty (120) days of the registered person becoming subject to the statutory disqualification, in the case of a(iii)(1) above, or the disciplinary action becoming final, in the case of a(iii)(2) or a(iii)(3) above. The date that the disciplinary action becomes final will be deemed the person's initial registration anniversary date for purposes of this Section 5.

(b) *Firm Element.*

- i. *Persons Subject to the Firm Element.* The requirements of paragraph (b) of this Section 5 shall apply to any registered person who has direct contact with Public Customers in the conduct of the OFP's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively "covered registered persons").
- ii. *Standards.*
 - 1) Each OFP must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum each OFP shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the OFP's size, organizational structure and scope of business activities, as well as regulatory development and the performance of covered registered persons in the Regulatory Element. If an OFP's analysis determines a need for supervisory training for persons with supervisory responsibilities, such training must be included in the Participant's training plan.
 - 2) *Minimum Standards for Training Programs.* Programs used to implement an OFP's training plan must be appropriate for the business of the OFP and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the OFP: (i) general investment features and associated risk factors; (ii) suitability and sales practice considerations; and (iii) applicable regulatory requirements.
 - 3) *Administration of Continuing Education Program.* Each OFP must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and

completion of the programs by covered registered persons.

- iii. *Participation in the Firm Element.* Covered registered persons included in a Participant's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Participant.

Supplementary Material to Section 5

.01 For purposes of this Section 5, the term "registered person" means any OFP, representative or other person registered or required to be registered under the Rules, but does not include any such person whose activities are limited solely to the transaction of business on BOX with Participants or registered broker-dealers.

.02 Any registered person who has terminated association with a registered broker or dealer and who has, within two (2) years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program as such intervals that apply (second registration anniversary and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two (2) years after termination as such will be required to satisfy the program's requirements in their entirety (second registration anniversary and every three years thereafter), based on the most recent registration date.

.03 A registration that is deemed inactive for a period of two (2) calendar years pursuant to paragraph (a)(ii) of this Section 5 for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Exchange's and BOX Rules.

Amended.

May 14, 2012.

Sec. 6 Other Affiliations of Registered Persons

Except with the express written permission of BOXR, every registered person shall devote his entire time during business hours to the business of the OFP employing him, or to the business of its affiliates that are engaged in the transaction of business as a broker or dealer in securities or commodities or in such other businesses as have been approved by the OFP's designated examining authority.

Sec. 7 Discipline, Suspension, Expulsion of Registered Persons

The Exchange or BOXR may discipline, suspend or terminate the registration of any registered person for violation of the Rules of the Exchange or the Rules of the Clearing Corporation.

Amended.

May 14, 2012.

Sec. 8 Branch Offices

(a) Every OFP approved to do options business with the public under this Chapter shall file with BOXR and keep current a list of each of its branch offices showing the location of each such office

and the name of the manager of each such office.

(b) No branch office of an OFP shall transact options business with the public unless the manager of such branch office has been qualified as an Options Principal; provided, that this requirement shall not apply to branch offices in which not more than three (3) representatives are located so long as the OFP can demonstrate to the satisfaction of BOXR that the options activities of such branch offices are appropriately supervised by an Options Principal.

(c) Definition of Branch Office. — A "branch office" is any location where one or more associated persons of a participant regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(1) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(2) any location that is the associated person's primary residence; provided that: (i) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (ii) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (iii) neither customer funds nor securities are handled at that location; (iv) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (v) the associated person's correspondence and communications with the public are subject to all supervisory provisions of the Exchange's rules; (vi) electronic communications (e.g., e-mail) are made through the participant's electronic system; (vii) all orders are entered through the designated branch office or an electronic system established by the participant that is reviewable at the branch office; (viii) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the participant; and (ix) a list of the locations is maintained by the participant;

(3) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the participant complies with the provisions of (ii) through (viii) of paragraph (2) above;

(4) an office of convenience, where the associated person occasionally and exclusively by appointment meets with customers, which is not held out to the public as a branch office (where such location is on bank premises, however, only signage required by the Interagency Statement (Statement on Retail Sales of Non-deposit Investment Products required under Banking Regulations) may be displayed);

(5) any location that is used primarily to engage in non-securities activities and from which the associated person effects no more than 25 securities transactions in any one calendar year; provided that any advertisements or sales literature identifying such location also sets forth the address and telephone number of the location from which the associated person conducting business at the non-branch locations are directly supervised;

(6) the Floor of a registered national securities exchange where a participant conducts a direct access business with public customers; or

(7) a temporary location established in response to the implementation of a business continuity plan.

(d) Notwithstanding the exclusions in subparagraphs (c) (1) - (7) above, any location that is responsible for supervising the activities of persons associated with a participant at one or more non-branch locations of such participant is considered to be a branch office.

(e) For purposes of this Rule, the term "business day" shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

(f) For purposes of this Rule, the term "associated person of a participant" is defined as a participant or employee associated with a participant.

(g) For purposes of (c)(2)(viii) above, written supervisory procedures shall include criteria for on-site for cause reviews of an associated person's primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

(h) For purposes of (c)(2)(viii) and (3) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

(i) Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (i) the firm's size; (ii) the firm's organizational structure; (iii) the scope of business activities; (iv) the number and location of offices; (v) the number of associated persons assigned to a location; (vi) the nature and complexity of products and services offered; (vii) the volume of business done; (viii) whether the location has a Series 9/10-qualified person on-site; (ix) the disciplinary history of the registered persons or associated persons, including a review of such person's customer complaints and Forms U4 and U5; and (x) the nature and extent of a registered person's or associated person's outside business activities, whether or not related to the securities business.

Amended.

July 24, 2008.

Sec. 9 Opening of Accounts

(a) *Approval Required.* No OFP shall accept an order from a Public Customer to purchase or write an options contract unless the Public Customer's account has been approved for options transactions in accordance with the provisions of this Section. (See BSE Rules Chapter VII, "Carrying of Accounts", generally).

(b) *Diligence in Opening Account.* In approving a Public Customer's account for options transactions, an OFP shall exercise due diligence to learn the essential facts as to the Public Customer and his investment objectives and financial situation, and shall make a record of such information, which shall be retained in accordance with SEC Rule 17a-4 under the Exchange Act. Based upon such information, the branch office manager or other Options Principal shall approve in writing the Public Customer's account for options transactions; provided, that if the branch office manager is not an Options Principal, his approval shall within a reasonable time be confirmed by an Options Principal. (See BSE Rules Chapter VII, "Carrying of Accounts", Chapter XIII, "Margin Requirements", of these Rules).

- i. In fulfilling its obligations under this paragraph (b) with respect to options Public Customers that are natural persons, an OFP shall seek to obtain the following information at a minimum (information shall be obtained for

all participants in a joint account):

- 1) investment objectives (e.g., safety of principal, income, growth, trading profits, speculation);
- 2) employment status (name of employer, self-employed or retired);
- 3) estimated annual income from all sources;
- 4) estimated net worth (exclusive of primary residence);
- 5) estimated liquid net worth (cash, securities, other);
- 6) marital status;
- 7) number of dependents;
- 8) age; and
- 9) investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

(See BSE Rules Chapter VII, "Carrying of Accounts", Section 2, Chapter XIII, Margin Requirements, of these Rules).

- ii. In addition to the information required in subparagraph (b)(i) above, the Public Customer's account records shall contain the following information, if applicable:
 - 1) the source or sources of background and financial information (including estimates) concerning the Public Customer;
 - 2) discretionary trading authorization, including agreement on file, name, relationship to Public Customer and experience of person holding trading authority;
 - 3) date(s) options disclosure document(s) furnished to Public Customer;
 - 4) nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions);
 - 5) name of representative;
 - 6) name of the Options Principal approving account;
 - 7) date of approval; and
 - 8) dates of verification of currency of account information.
- iii. Refusal of a Public Customer to provide any of the information called for

in this paragraph (b) shall be so noted on the Public Customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

(c) *Verification of Public Customer Background and Financial Information.* The background and financial information upon which the account of every new Public Customer that is a natural person has been approved for options trading, including all of the information required in paragraph (b)(ii) of this Section, unless the information is included in the Public Customer's account agreement, shall be sent to the Public Customer for verification or correction within fifteen (15) days after the Public Customer's account has been approved for options transactions. A copy of the background and financial information on file with the OFP shall also be sent to the Public Customer for verification within fifteen (15) days after the OFP becomes aware of any material change in the Public Customer's financial situation. Absent advice from the Public Customer to the contrary, the information will be deemed to be verified.

(d) *Agreements to Be Obtained.* Within fifteen (15) days after a Public Customer's account has been approved for options transactions, an OFP shall obtain from the Public Customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such Public Customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Chapter III, Section 7 and 9 of these Rules.

(e) *Options Disclosure Documents to Be Furnished.* At or prior to the time a Public Customer's account is approved for options transactions, an OFP shall furnish the Public Customer with one (1) or more current options disclosure documents issued by the OCC in accordance with the requirements of Section 17 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

(f) Every OFP transacting business with the public in uncovered options contracts shall develop, implement and maintain specific written procedures governing the conduct of such business that shall at least include the following:

- i. specific criteria and standards to be used in evaluating the suitability of a particular customer for uncovered short options transactions;
- ii. specific procedures for approval of accounts engaged in writing uncovered short options contracts (which for the purposes of this Section shall include combinations and any transactions that involve writing uncovered short options contracts, including written approval of such accounts by a Registered Options Principal;
- iii. designation of a specific Registered Options Principal qualified individual(s) as the person responsible for approving accounts that do not meet the specific criteria and standards for writing uncovered short options transactions and for maintaining written records of the reasons for every account so approved;
- iv. establishment of specific minimum net equity requirements for initial approval and maintenance of accounts containing uncovered options; and
- v. requirements that Public Customers approved for writing uncovered short options transactions be provided with a specific written description of the risks inherent in writing uncovered short options transactions, at or prior to the initial uncovered short options transaction pursuant to Section 17 of this Chapter XI (Delivery of Current Options Disclosure Documents and Prospectus).

Amended.

February 23, 2009.

Sec. 10 Supervision of Accounts

(a) *Duty to Supervise --Non-Participant Accounts.* The general partners or directors of each OFP that conducts a non-participant customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or National Association of Securities Dealers rules, shall:

1. Delegate to qualified employees responsibilities and authority for supervision and control of each office, department or business activity, and shall provide for appropriate written procedures of supervision and control.

2. Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

3. Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

i. Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an "otherwise independent" person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager's customer activity that represents more than 10% of the designated person's gross income derived from the participant over the course of a rolling twelve-month period, the participant must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

ii. If a participant is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to paragraph (a)(3)(i) of this Rule (for instance, the participant has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with paragraph (a)(3)(i) of this Rule to the extent practicable.

iii. A participant relying on paragraph (a)(3)(ii) of this Rule must document the factors used to determine that complete compliance with all of the provisions of paragraph (a)(3)(i) of this Rule is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of paragraph (a)(3)(i) of this Rule to the extent practicable.

iv. A participant that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraphs (a)(3)(i), (a)(3)(ii) and (a)(3)(iii) of this Rule will be deemed to have met such requirements.

(See BSE Rules Chapter II, "Dealings on the Exchange", Section 10, "Discretionary Transactions"; and Chapter VII, "Carrying of Accounts", generally).

(b) (1) Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers shall be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect to the record retention responsibility of principal supervisory offices, customer information and account statements may be maintained at a location off premises so long as the records are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts shall be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

(2) Upon the written instructions of a customer, a participant may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (a) not to exceed two months if the participant is advised that such customer will be on vacation or traveling or (b) not to exceed three months if the customer is going abroad.

(3) Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a participant or a person(s) designated by the designated general partner or executive officer (pursuant to this Section 10). Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the participant. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

(4) For purposes of paragraph (b)(3), a person(s) designated by the designated general partner or executive officer (pursuant to this Section 10) must be a Registered Options Principal.

(c) Internal Controls.

(1) Participants must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each participant's efforts with respect to internal controls, including a summary of tests conducted and

significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.

(2) A participant that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (c)(1) of this Rule will be deemed to have met such requirements.

(d) Annual Branch Office Inspections.

1. Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

(i) it has been demonstrated to the satisfaction of the Exchange that because of proximity, special reporting or supervisory practice, other arrangements may satisfy this Rule's requirements for a particular branch office; or

(ii) based upon the written policies and procedures of such participant providing for a systematic risk-based surveillance system, the participant submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

2. Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and control of the branch office in question (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained with the participant for the longer of three years or until the next branch office inspection.

3. A participant that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (d)(1) and (d)(2) of this Rule as well as to related requirements in paragraphs (e) and (f) of this Rule will be deemed to have met such requirements.

(e) Risk -Based Surveillance and Branch Office Identification.

1. Any participant seeking an exemption, pursuant to Section 10(d)(1)(ii) of this Chapter, from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the participant's business model and product mix. Such policies and procedures must also, at a minimum, provide for:

(i) The inspection of branches where developments during the year require a reconsideration of such branch's exemption;

(ii) A requirement that no less than half of the branch offices inspected each year on a cycle basis be done on an unannounced basis; and

(iii) A system to enable employees to report compliance issues on a confidential basis outside of the branch office chain of command.

2. For purposes of paragraph (e)(1) of this Rule, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

(i) Number of Registered Representatives;

(ii) A significant increase in the number of Registered Representatives;

(iii) Number of customers and volume of transactions;

(iv) A significant increase in branch office revenues;

(v) Incidence of concentrated securities positions in customer's accounts;

(vi) Aggregate customer assets held;

(vii) Nature of the business conducted and the sales practice risk to investors associated with the products sold, and product mix (e.g. options, equities, mutual funds, annuities, etc.);

(viii) Numbers of accounts serviced on a discretionary basis;

(ix) Compliance and regulatory history of the branch, including:

(A) Registered Representatives subject to special supervision by the participant, self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission in years other than the previous or current year;

(B) Complaints, arbitrations, internal discipline, or prior inspection findings; and

(C) Persons subject to recent disciplinary actions by self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission.

(x) Operational factors, such as the number of errors and account designation changes per Registered Representative;

(xi) Incidence of accommodation mailing addresses (e.g., post office boxes and "care of" accounts);

(xii) Whether the branch office permits checks to be picked up by customers or hand delivery of checks to customers;

(xiii) Experience, function (producing or non-producing) and compensation structure of branch office manager;

(xiv) Branch offices recently opened or acquired; and

(xv) Changes in branch location, status or management personnel.

3. Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

(i) Offices with one or more Registered Representatives subject to special supervision as required by a self-regulatory authority or state regulatory authority during the current or immediately preceding year.

(ii) Offices with 25 or more registered individuals;

(iii) Offices in the top 20% of production or customer assets for the participant organization;

(iv) Any branch office not inspected within the previous two calendar years; and

(v) Any branch office designated as exercising supervision over another branch office.

(f) Criteria for Inspection Programs. An annual branch office inspection program must include, but is not limited to, testing and independent verification of internal controls related to the following areas:

1. Safeguarding of customer funds and securities;

2. Maintaining books and records;

3. Supervision of customer accounts serviced by branch office managers;

4. Transmittal of funds between customers and Registered Representatives and between customers and third parties;

5. Validation of customer address changes; and

6. Validation of changes in customer account information.

(g) Written Report. By April 1 of each year, each participant that conducts a non-participant customer business shall submit to the Exchange a written report on the participant's supervision and compliance effort during the preceding year and on the adequacy of the participant's ongoing compliance processes and procedures. Each participant that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

1. A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations.

2. Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the preceding year's efforts of this nature.

3. Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas: (i) antifraud and trading practices; (ii) investment banking activities; (iii) sales practices; (iv) books and records; (v) finance and operations; (vi) supervision; (vii) internal controls, and (viii) anti-money laundering. If any of these areas do not apply to the participant organization, the report shall so state.

4. For each participant, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).

5. A certification signed by the participant's Chief Executive Officer (or equivalent), that:

(i) The participant has in place processes to:

(A) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

(B) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

(C) test the effectiveness of such policies and procedures on a regular basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

(ii) the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(iii) the processes described in paragraph (g)(5)(i) of this Rule, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization's board of directors and audit committee (if such committee exists) on or before April 1st of each year.

(iv) the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(5)(iii) of this Rule and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

(6) A participant that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or the National Association of Securities Dealers will be deemed to have met the requirements of this Section 10(g) and Section 10(h).

(h) Reports to Control Persons. By April 1 of each year, each participant shall submit a copy of the report that Section 10(g) of this Chapter requires the participant to prepare to its one or more control persons or, if the participant has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a "controlling organization"), the participant shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization's board of directors or its equivalent committee or group. For the purpose of this paragraph, "control person" means a person who controls the participant organization within the meaning of "control" as defined in Chapter I, Section 2 of the Grandfathered Rules of the Exchange.

(i) Each participant that conducts a non-participant customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-participant customer accounts, and all orders in such accounts. Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the participant organization's business, including option compliance functions. The procedures shall also include the registration status and location of all such supervisory and compliance personnel. Each participant shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

(j) Each participant shall maintain at the principal supervisory office having jurisdiction over the office servicing the customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (ii) the size and frequency of options transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any options class or classes and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

(k) Documentation evidencing the annual written report required by paragraph (g) of this rule, must be maintained in a place that is easily accessible and shall be provided to the Exchange upon request.

(See BSE Rules Chapter VII, "Carrying of Accounts", generally).

Amended.

July 24, 2008.

February 23, 2009.

November 19, 2009.

Sec. 11 Suitability of Recommendations

(a) Every OFP, Options Principal or representative who recommends to a Public Customer the purchase or sale (writing) of any options contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such Public Customer on the basis of the information furnished by such Public Customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such OFP, Options Principal or representative. (See BSE Rules Chapter XXI, "Advertising and Market Letters", Sections 7 and 8, generally).

(b) No OFP, Options Principal or representative shall recommend to a Public Customer an opening transaction in any options contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the Public Customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the options contract. (See BSE Rules Chapter XXI, "Advertising and Market Letters", Sections 7 and 8, generally).

Sec. 12 Discretionary Accounts

(a) *Authorization and Approval Required.* No OFP shall exercise any discretionary power with respect to trading in options contracts in a Public Customer's account unless such Public Customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 10, "Discretionary Transactions").

- i. Each participant shall designate specific Registered Options Principal qualified individuals pursuant to BOX Rule Chapter XI, Sec. 10 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the Public Customer was able to understand and bear the risks of the strategies or transactions proposed, and the individual shall maintain a record of the basis for his determination.
- ii. Every discretionary order shall be identified as discretionary on the order at the time of its entry into BOX market.
- iii. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options Principal qualified person specifically delegated such responsibilities under BOX Rule, Chapter XI, Sec. 10 who is not exercising the discretionary authority.

(b) *Record of Transactions.* A record shall be made of every options transaction for an account with respect to which an OFP is vested with any discretionary power, such record to include the name of the Public Customer, options class and series, number of contracts, premium, and date and time when such transaction took place. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 10,

"Discretionary Transactions").

(c) *Excessive Transactions Prohibited.* No OFP shall effect with or for any Public Customer's account with respect to which such Participant is vested with any discretionary power any transactions of purchase or sale of options contracts that are excessive in size or frequency in view of the financial resources and character of such account. (See BSE Rules Chapter II, "Dealings on the Exchange", Section 8, "Excessive Trading by Members").

(d) *Discretion as to Price or Time Excepted.* This rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined below, pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket. As used in this paragraph (d) the term "institutional account" shall mean the account of: (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

(e) *Options Programs.* Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the Public Customer shall be furnished with a written explanation of the nature and risks of such programs.

(f) Any participant that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

Amended.

July 24, 2008.
February 23, 2009.

Sec. 13 Confirmation to Public Customers

(a) Every OFP shall promptly furnish to each Public Customer a written confirmation of each transaction in options contracts that shows the underlying security, type of options, expiration month, exercise price, number of options contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale, whether the transaction was an opening or a closing transaction and whether a principal or agency transaction.

(b) The confirmation shall, by appropriate symbols, distinguish between BOX Transactions and other transactions in options contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

Amended.

February 23, 2009.
March 11, 2011.

Sec. 14 Statement of Accounts to Public Customers

(a) Every OFP shall send to its Public Customers a statement of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations.

(b) With respect to options Public Customers having a general (margin) account, the Public Customer statement shall also provide the mark-to-market price and market value of each options position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. For purposes of this paragraph (b), general (margin) account equity shall be computed by subtracting the total of the short security values and any debit balance from the total of the long security values and any credit balance.

(c) The Public Customer statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed options transactions has been included in confirmations of such transactions previously furnished to the Public Customer, and that such information will be made available to the Public Customer promptly upon request.

(d) Public Customer statements shall bear a legend requesting that the Public Customer promptly advise the Participant of any material change in the Public Customer's investment objectives or financial situation.

(e) Public Customer statements shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

Sec. 15 Statements of Financial Condition to Public Customers

Every OFP shall send to each of its Public Customers statements of the Participant's financial condition as required by SEC Rule 17a-5 under the Exchange Act.

Sec. 16 Addressing of Communications to Public Customers

No OFP shall address any communications to a Public Customer in care of any other person unless either: (1) the Public Customer, within the preceding twelve (12) months, has instructed the OFP in writing to send communications in care of such other persons, or (2) duplicate copies are sent to the Public Customer at some other address designated in writing by him.

Sec. 17 Delivery of Current Options Disclosure Documents and Prospectus

(a) *Options Disclosure Documents.* Every OFP shall deliver a current options disclosure document issued by the OCC to each Public Customer at or prior to the time such Public Customer's account is approved for options transactions. Where a Public Customer is a broker or dealer, the OFP shall take reasonable steps to assure that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by the broker or dealer, to enable it to comply with the requirements of this Section 17.

- i. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Exchange

Act.

- ii. A copy of each amendment to an options disclosure document shall be furnished to each Public Customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such Public Customer. BOXR will advise OFPs when an options disclosure document is amended.

(b) *Prospectus*. Every Participant shall furnish a copy of the current prospectus of the Clearing Corporation to each Public Customer who requests one. The term "current prospectus of Clearing Corporation" means the prospectus portion of the most recent Form S-20, which prospectus portion then meets the delivery requirements of Rule 153b under the Securities Act of 1933, as amended (the "Securities Act").

(c) The written description of risks required by this Section 17 shall be in a format prescribed by the Exchange or in a format developed by the Participant, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(d) Below is a sample risk description for use by OFPs to satisfy the requirements of paragraph (c) of this Section 17:

Special Statement for Uncovered Options Writers.

There are special risks associated with uncovered options writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all Public Customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.

2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3. Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.

6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Sec. 18 Restrictions on Pledge and Lending of Public Customers' Securities

(a) No OFP shall lend, either to itself or to others, securities carried for the account of any Public Customer, unless such OFP shall first have obtained a separate written authorization from such Public Customer permitting the lending of the securities. (See BSE Rules Chapter VII, "Carrying of Accounts", Section 3, "Improper Use of Customer Securities").

(b) Regardless of any agreement between an OFP and a Public Customer authorizing the OFP to lend or pledge such securities, no OFP shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the Public Customer to such OFP, except such lending as may be specifically authorized under paragraph (c) of this Section 18. (See BSE Rules Chapter VII, "Carrying of Accounts", Sections 3-5, generally).

(c) No OFP shall lend securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be loaned in view of the indebtedness of the Public Customer, unless such OFP first obtains from such Public Customer a separate written authorization designating the particular securities to be loaned. (See BSE Rules Chapter VII, "Carrying of Accounts", Sections 3-5, generally).

(d) No OFP shall hold securities carried for the account of any Public Customer that have been fully paid for, or that are in excess of the amount that may be pledged in view of the indebtedness of the Public Customer, unless such securities are segregated and identified by a method that clearly indicates the interest of such Public Customer in those securities. (See BSE Rules Chapter VII, "Carrying of Accounts", Sections 3-5, generally).

Sec. 19 Transactions of Certain Public Customers

(a) No OFP shall execute any transaction in securities or carry a position in any security in which:

- i. an officer or employee of the Exchange, BOXR, BOX or any national securities exchange that is a participant of the Clearing Corporation, or an officer or employee of a corporation in which the Exchange, or such other exchange owns the majority of the capital stock, is directly or indirectly interested, without the prior written consent of the Exchange; or
- ii. a partner, officer, director, principal shareholder or employee of another OFP is directly or indirectly interested, without the consent of such other OFP.

(b) Where the required consent has been granted, duplicate reports of the transaction and position shall promptly be sent to the Exchange or OFP, as the case may be.

Sec. 20 Prohibition Against Guarantees

No OFP or person associated with a Participant shall guarantee a Public Customer against loss in his account or in any transaction effected with or for such Public Customer.

Amended.

March 11, 2011.

Sec. 21 Sharing in Accounts; Extent Permissible

(a) Except as provided in paragraph (c), no Participant or person associated with a Participant shall share directly or indirectly in the profits or losses in any account of a customer carried by the Participant or any other member; provided, however, that a Participant or person associated with a Participant may share in the profits or losses in such an account if:

- i. such person associated with a Participant obtains prior written authorization from the Participant employing the associated person;
- ii. such Participant or person associated with a Participant obtains prior written authorization from the customer; and
- iii. such Participant or person associated with a Participant shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the Participant or person associated with a Participant.

(b) Exempt from the direct proportionate share limitation of paragraph (a)(iii) are accounts of the immediate family of such Participant or person associated with a Participant. For purposes of this Rule, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Participant or person associated with a Participant otherwise contributes directly or indirectly.

(c) Notwithstanding the prohibition of paragraph (a), a member or person associated with a member that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

- i. such person associated with a Participant seeking such compensation obtains prior written authorization from the Participant employing the associated person;
- ii. such member or person associated with a Participant seeking such compensation obtains prior written authorization from the customer; and
- iii. all of the conditions in Rule 205-3 of the Investment Advisers Act (as the same may be amended from time to time) are satisfied.

Amended.

March 11, 2011.

Sec. 22 Assuming Losses

No OFP shall assume for its own account any position established for a Public Customer in a security traded on the Exchange after a loss to the Public Customer has been established or ascertained, unless the position was created by the OFP's mistake or unless approval of BOXR has first been obtained.

Sec. 23 Transfer of Accounts

(a) When a Public Customer whose securities account is carried by an OFP (the "Carrying Participant") wants to transfer the entire account to another OFP (the "Receiving Participant") and gives written notice of that fact to the Receiving Participant, both Participants must expedite and coordinate activities with respect to the transfer. For purposes of this Section 23, the term "securities account" shall be

deemed to include any and all of the account's money market fund positions or the redemption value thereof.

(b) Upon receipt from the Public Customer of a signed broker-to-broker transfer instruction to receive such Public Customer's securities account, the Receiving Participant will immediately submit such instruction to the Carrying Participant. The Carrying Participant must, within five (5) business days following receipt of such instruction:

- i. validate and return the transfer instruction (with an attachment reflecting all positions and money balances as shown on its books) to the Receiving Participant, or
- ii. take exception to the transfer instruction for reasons other than securities positions or money balance discrepancies and advise the Receiving Participant of the exception taken.

(c) The Carrying Participant and the Receiving Participant must promptly resolve any exceptions taken to the transfer instruction.

(d) Within five (5) business days following the validation of a transfer instruction, the Carrying Participant must complete the transfer of the Public Customer's securities account to the Receiving Participant. The Carrying Participant and the Receiving Participant must establish fail to receive and fail to deliver contracts at then current market values upon their respective books of account against the long/short positions (including options) in the Public Customer's securities account that have not been physically delivered/received and the Receiving/Carrying Participant must debit/credit the related money account. The Public Customer's securities account shall thereupon be deemed transferred.

(e) Any fail contracts resulting from this account transfer procedure must be closed out within ten (10) business days after their establishment.

(f) Any discrepancies relating to positions or money balances that exist or occur after transfer of a Public Customer's securities account must be resolved promptly.

(g) When both the Carrying Participant and the Receiving Participant are participants in a clearing corporation having automated Public Customer securities account transfer capabilities, the account transfer procedure, including the establishing and closing out of fail contracts, must be accomplished in accordance with the provisions of this Section 23 and pursuant to the Rules of and through the clearing corporation.

(h) BOXR may exempt from the provisions of this Section 23, either unconditionally or on specified terms and conditions:

- i. any Participant or type of Participants, or
- ii. any type of account, security or financial instrument.

(i) Unless an exemption has been granted pursuant to paragraph (h) of this Section 23, BOXR may impose upon a Participant a fee of up to \$100 per securities account for each day such Participant fails to adhere to the time frames or procedures required by this Section 23.

(j) Transfer instructions and reports required by this Section 23 shall be in such form as may be prescribed by BOXR.

Sec. 24 Options Communications

- (a) *Definitions.* For purposes of this Section 24, the following definitions shall apply:
- i. **Advertisements.** The term “advertisements” shall include material concerning options, other than an independently prepared reprint and institutional sales material, that is published, or used in any electronic or other public media, including any website, newspaper, magazine or other periodical, radio, television, telephone or tape recording, video tape display, motion picture, billboards, signs or telephone directories (other than routine listings).
 - ii. **Sales Literature.** The term “sales literature” shall include any written or electronic communication concerning options other than an advertisement, independently prepared reprint, institutional sales material and correspondence that is generally available to customers or the public including circulars, research reports, performance reports or summaries, worksheets, form letters, telemarketing scripts, seminar texts, reprints (that are not independently prepared reprints) or excerpts of any other advertisements, sales literature or published article and press release concerning a Participant’s products or services.
 - iii. **Correspondence.** The term “correspondence” shall include any written letter or electronic mail message or market letter distributed by a Participant to: (A) one or more of its existing retail customers; and (B) fewer than 25 prospective retail customers within any 30 calendar-day period.
 - iv. **Institutional Sales Material.** The term “institutional sales material” shall include any communication concerning options that is distributed or made available only to institutional investors. The term institutional investor shall mean any qualified investor as defined in Section 3(a)(54) of the Securities Exchange Act of 1934.
 - v. **Public Appearances.** The term “public appearance” shall include any participation in a seminar, forum (including an interactive electronic forum), radio, television or print media interview, or other public speaking activity, or the writing of a print media article, concerning options.
 - vi. **Independently Prepared Reprints.** The term “independently prepared reprints” shall include any reprint or excerpt of an article issued by a publisher concerning options, provided that: the publisher is not an affiliate of the Participant using the reprint or any underwriter or issuer of a security mentioned in the reprint or excerpt that the Participant is promoting; neither the Participant using the reprint or excerpt nor any underwriter or issuer of a security mentioned in the reprint or excerpt has commissioned the reprint or excerpted article; and the Participant using the reprint or excerpt has not materially altered its contents except as necessary to make the reprint or excerpt consistent with applicable regulatory standards or to correct factual errors.

(b) *Approval by Registered Options Principal.*

- i. All advertisements, sales literature (except completed worksheets), and independently prepared reprints issued by an OFP pertaining to options shall be approved in advance by the Registered Options Principal designated by the Participant’s written supervisory procedures.
- ii. Correspondence need not be approved by a Registered Options Principal prior to use, unless such correspondence is distributed to 25 or more existing retail customers within any 30 calendar-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the

Participant. All correspondence is subject to the supervision and review requirements of Section 10 of this Chapter.

- iii. Institutional sales material relating to options need not be approved by a Registered Options Principal prior to use, but is subject to the supervision and review requirements as set forth in the written supervisory procedures of the Participant.
- iv. Copies of the options communications shall be retained by the Participant in accordance with Rule 17a-4 under the Securities Exchange Act of 1934. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the Participant and kept in the form and for the time periods required for options communications by Rule 17a-4.

(c) *BOXR Approval Required.* In addition to the approval required by paragraph (b) of this Section 24, all advertisements, sales literature and independently prepared reprints of an OFP pertaining to standardized options that is not accompanied or preceded by the applicable current options disclosure document ("ODD") shall be submitted to BOXR at least ten (10) calendar days prior to use (or such shorter period as BOXR may allow in particular instances) for approval, and if changed or expressly disapproved by BOXR, shall be withheld from circulation until any changes specified by BOXR have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, BOXR approval. The requirements of this paragraph shall not be applicable to:

- i. options communications submitted to another SRO having comparable standards pertaining to such communications, and
- ii. communications in which the only reference to options is contained in a listing of the services of an OFP.

(d) *General Rule.* No OFP or associated person shall utilize any options communication which:

- i. contains any untrue statement or omission of a material fact or is otherwise false or misleading;
- ii. contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events that are unwarranted or that are not clearly labeled as forecasts;
- iii. contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials;
- iv. contains statements suggesting the certain availability of a secondary market for options;
- v. Fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies. Any statement referring to the potential opportunities presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided;

- vi. Fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary;
- vii. Fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.

Paragraphs (vi) and (vii) shall not apply to institutional sales material as defined in this Section 24.

(e) *Standards Applicable to Options Communications*

- i. Unless preceded or accompanied by the ODD, options communications shall:
 - 1. Be limited to general descriptions of the options being discussed;
 - 2. Contain contact information for obtaining a copy of the ODD;
 - 3. Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.
- ii. Options communications used prior to ODD delivery may:
 - 1. Contain a brief description of options, including a statement that identifies registered clearing agencies for options. The text may also contain a brief description of the general attributes and method of operation of the exchanges on which options are traded, including a discussion of how an option is priced;
 - 2. Include any statement required by any state law or administrative authority;
 - 3. Include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.

(f) The requirement of Section 24(e)(i)(2) of this Chapter XI to include contact information for obtaining a copy of the ODD may be satisfied by providing a name and address or one or more telephone numbers from which the current options disclosure document may be obtained; directing existing clients to contact their registered representative; or including a response card through which a current options disclosure document may be obtained. An internet address may also be used; however, such an address must be accompanied by either a telephone number or mailing address for use by those investors who do not have access to the internet.

(g) *Projections.*

- i. Options communications may contain projected performance figures (including projected annualized rates of return), provided that:
 - 1) all such communications are accompanied or preceded by the ODD;
 - 2) no suggestion of certainty of future performance is made;
 - 3) parameters relating to such performance figures are clearly established (e.g., to indicate the exercise price of an options contract, the purchase price of the underlying stock and the options contract's market price, premium, anticipated dividends, etc);

- 4) all relevant costs, including commissions, fees and interest charges (if applicable with regard to margin transactions) are disclosed;
- 5) such projections are plausible and intended as a source of reference or a comparative device to be used in the development of a recommendation;
- 6) all material assumptions made in such calculations are clearly identified (e.g., "assume option expires," "assume option unexercised," "assume option exercised," etc.);
- 7) the risks involved in the proposed transactions are also discussed; and
- 8) in communications relating to annualized rates of return, such returns are not based upon any less than a sixty (60) day experience, any formulas used in making calculations are clearly displayed and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

(h) Historical Performance: Options communications may feature records and statistics that portray the performance of past recommendations or of actual transactions, provided that:

- i. all such communications are accompanied or preceded by the ODD;
- ii. any such portrayal is done in a balanced manner and consists of records or statistics that are confined to a specific "universe" that can be fully isolated and circumscribed and that covers at least the most recent twelve (12) month period;
- iii. such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics in lieu of the complete record, there may be included in the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request
- iv. all relevant costs, including commissions, fees and interest charges (as applicable) are disclosed;
- v. whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed;
- vi. an indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid;
- vii. such communications state that the results presented should not and cannot be viewed as an indicator of future performance; and
- viii. an Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the

report.

(i) Options Programs. In communications regarding an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

Amended.

November 19, 2009.

March 11, 2011.

Sec. 25 Brokers' Blanket Bond

(a) Every OFP approved to transact business with the public under these Rules and every Clearing Participant shall carry Brokers' Blanket Bonds covering officers and employees of the OFP in such form and in such amounts as the Exchange may require. (See BSE Rules Chapter XXII-A, "Blanket and Fidelity Bonds").

(b) All OFPs subject to paragraph (a) of this Section 25 shall maintain Brokers' Blanket Bonds as follows:

- i. Maintain a Brokers' Blanket Bond similar to the standard form established by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least the following:
 - 1) Fidelity;
 - 2) On Premises;
 - 3) In Transit;
 - 4) Misplacement;
 - 5) Forgery and Alteration (including check forgery);
 - 6) Securities Loss (including securities forgery);
 - 7) Fraudulent Trading; and
 - 8) A Cancellation Rider providing that the insurance carrier will promptly notify BOXR of cancellation, termination or substantial modification of the Bond.

(See BSE Rules Chapter XXII-A, "Blanket and Fidelity Bonds").

- ii. In determining the initial minimum coverage, the OFP is to use the highest required net capital during the twelve (12) month period immediately preceding the issuance of the Brokers' Blanket Bond. Thereafter, a review for adequacy of coverage shall be made at least annually as of the anniversary date of issuance of the subject Bond, and the minimum requirement for the next twelve (12) months shall be established by reference to the highest net capital in the preceding twelve (12) months. Any necessary adjustments shall be made not more

than thirty (30) days following the anniversary.

(c) The minimum required coverage for fraudulent trading shall be the greater of \$25,000 or fifty percent (50%) of the coverage required in paragraph (b)(ii) up to a maximum of \$500,000.

(d) The minimum required coverage for securities forgery shall be the greater of \$25,000 or twenty-five percent (25%) of the coverage required in paragraph (b)(ii) up to a maximum of \$250,000.

(e) A deductible provision of up to \$5,000 or ten percent (10%) of the minimum coverage requirement, whichever is greater, may be included in the Bond.

- i. An OFP may choose to maintain coverage in excess of the minimum requirements as set forth above in paragraph (b)(ii) of this Section, and in such case, a deductible provision of up to \$5,000 or ten percent (10%) of the amount of the Blanket Bond coverage, whichever is greater, may be included in the Bond purchased. However, the excess of this greater deductible amount over the maximum permissible deductible amounts as described in this paragraph (e) must be subtracted from the OFP's net worth in the calculation of the OFP's net capital under SEC Rule 15c3-1.
- ii. Each OFP shall report the cancellation, termination or substantial modification of the Bond to BOXR within ten (10) business days of such occurrences.

(f) OFPs with no employees shall be exempt from this Section.

(g) OFPs subject to a bonding rule of another registered national securities exchange, the SEC, or a registered national securities association that imposes requirements that are equal to or greater than the requirements imposed by this Section shall be deemed to be in compliance with the provisions of this Section.

(See BSE Rules Chapter XXII-A, "Blanket and Fidelity Bonds").

Sec. 26 Public Customer Complaints

(a) Every OFP conducting a non-Participant Public Customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved.

(b) The term "options-related complaint" shall mean any written statement by a Public Customer or person acting on behalf of a Public Customer alleging a grievance arising out of or in connection with listed options.

(c) The central file shall be located at the principal place of business of the Participant or such other principal office as shall be designated by the OFP.

- i. Each options-related complaint received by a branch office of an OFP shall be forwarded to the office in which the separate, central file is located not later than thirty (30) days after receipt by the branch office.
- ii. A copy of every options-related complaint shall be maintained at the branch office that is the subject of a complaint.

(d) At a minimum, the central file shall include:

- i. identification of complainant;

- ii. date complaint was received;
- iii. identification of the representative servicing the account, if applicable;
- iv. a general description of the subject of the complaint; and
- v. a record of what action, if any, has been taken by the Participant with respect to the complaint.

Sec. 27 Telephone Solicitation

(a) No OFP or associated person shall make an outbound telephone call to any person's residence for the purpose of soliciting the purchase of securities or related services ("telemarketing" or "cold-calling") at any time other than between 8 a.m. and 9 p.m. local time at the called person's location, without that person's prior consent.

(b) No OFP or associated person shall make an outbound telephone call to any person for the purpose of telemarketing without disclosing promptly and in a clear and conspicuous manner to the called person the following information:

- i. the identity of the caller and the OFP firm;
- ii. the telephone number or address at which the caller may be contacted; and
- iii. that the purpose of the call is to solicit the purchase of securities or related services.

(c) The prohibitions of paragraphs (a) and (b) do not apply to telephone calls by an associated person of an OFP (whether acting alone or at the direction of another associated person) who controls or has been assigned to a Participant's existing Public Customer account for the purpose of maintaining and servicing that account, provided that the call is to:

- i. an existing Public Customer who, within the preceding twelve (12) months, has made a securities transaction in or has deposited funds or securities into an account, that was under the control of or assigned to that associated person at the time of the transaction or deposit;
- ii. an existing Public Customer whose account has earned interest or dividend income during the preceding twelve (12) months, and who previously has made a securities transaction in or has deposited funds or securities into an account, that was under the control of or assigned to the associated person at the time of the transaction or deposit; or
- iii. a broker or dealer.

(d) For purposes of paragraph (c) above, the term "existing Public Customer" means a Public Customer for whom the broker or dealer, or a clearing broker or dealer on its behalf, carries on account. The scope of this Section 27 is limited to the telemarketing calls described herein. The terms of this Section 27 do not impose, expressly or by implication, any additional requirements on Participants with respect to the relationship between a Participant and a Public Customer or between an associated person and a Public Customer.

(e) Each OFP shall make and maintain a centralized list of persons who have informed the OFP, or any employee thereof, that they do not wish to receive telephone solicitations, and shall refrain from engaging in telephone solicitations of persons named on such list.

(f) Each OFP or associated person engaged in telemarketing shall have a Public Customer's express written authorization in order to obtain or submit for payment a check, draft, or other form of negotiable instrument drawn on a Public Customer's checking, savings, share or similar account. Written authorization may include the Public Customer's signature on the negotiable instrument. The authorization must be retained for at least three (3) years. This provision does not require maintenance of copies of negotiable instruments signed by Public Customers.

(g) OFPs and associated persons that engage in telemarketing also are subject to the requirements of the rules of the Federal Communications Commission relating to telemarketing practices and the rights of telephone consumers.

Chapter XII. Order Protection; Locked and Crossed Markets

Sec. 1 Definitions

The following terms shall have the meaning specified in this Section 1 solely for the purpose of this Chapter XII:

- (a) "Away Exchange" means a national securities exchange that trades listed options, other than the Exchange.
- (b) "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer.
- (c) "Bid" or "Offer" means the Bid price or the Offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.
- (d) "Broker/Dealer" means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.
- (e) "Complex Trade" means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.
- (f) "Crossed Market" means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.
- (g) "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange is not a party to the Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.
- (h) "Intermarket Sweep Order ("ISO")" means a Limit Order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a Limit order to sell, or any Protected Offer, in the case of a Limit order to buy, for the options series with a price that is superior to the limit price of the ISO.
- (i) "Locked Market" means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.

- (j) "NBBO" means the national best Bid and Offer in an options series as calculated by an Eligible Exchange.
- (k) "Non-Firm" means, with respect to Quotations, that members of an Eligible Exchange are relieved of their obligation to be firm for their Quotations pursuant to Rule 602 under the Exchange Act.
- (l) "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.
- (m) "Plan Participant" means an Eligible Exchange that is a party to the Plan.
- (n) "Plan" means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.
- (o) "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that:
 - (1) Is disseminated pursuant to the OPRA Plan; and
 - (2) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.
- (p) "Public Customer" means an individual or organization that is not a Broker/Dealer.
- (q) "Quotation" means a Bid or Offer.
- (r) "Trade-Through" means a transaction in an option series at a price that is lower than a Protected Bid or higher than a Protected Offer.

Amended.

October 19, 2004.
 September 13, 2005.
 October 24, 2005.
 January 19, 2007.
 November 7, 2007.
 August 18, 2009.
 October 16, 2009.

Sec. 2 Order Protection

As a party to the Plan, the Exchange has agreed to comply with, and enforce compliance by BOX Options Participants with, the Plan. In this regard, the following shall apply:

- (a) *Avoidance of Trade-Throughs.* Except as provided in paragraph (b) below, Options Participants shall not effect Trade-Throughs.
- (b) *Exceptions to Trade-Through Liability.* The provisions of paragraph (a) pertaining to the satisfaction of Trade-Throughs shall not apply under the following circumstances:
 - (1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, BOX may bypass those Protected Quotations by:

- (i) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and
- (ii) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass the Protected Quotations of an Eligible Exchange is made pursuant to this subparagraph, BOX must promptly document the reasons supporting such determination.

- (2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;
- (3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;
- (4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO, or the transaction that constitutes the Trade-Through is effected by BOX while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;
- (5) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best Bid or Best Offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;
- (6) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;
- (7) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;
- (8) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, an Options Participant had guaranteed an execution at no worse than a specified price (a "stopped order"), where:
 - (i) the stopped order was for the account of a Public Customer;
 - (ii) the Public Customer agreed to the specified price on an order-by-order basis; and
 - (iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;
- (9) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or
- (10) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

Supplementary Material to Section 2

.01 A BOX Options Participant may submit an Intermarket Sweep Order only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the Intermarket Sweep Order.

Amendments.

June 17, 2004.
July 7, 2004.
October 24, 2005.
March 27, 2007.
November 16, 2007.
December 5, 2007.
August 18, 2009.

Sec. 3 Locked and Crossed Markets

(a) *Prohibition.* Except for Quotations that fall within the provisions of paragraph (b) of this Section 3, Options Participants shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any Quotations that lock or cross a Protected Quotation.

(b) *Exceptions.*

- (1) The locking or crossing Quotation was displayed at a time when BOX was experiencing a failure, material delay, or malfunction of its systems or equipment;
- (2) The locking or crossing Quotation was displayed at a time when there is a Crossed Market;
- (3) The Options Participant simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer; or
- (4) With respect to a locking Quotation, the order entered on the Eligible Exchange that will lock a Protected Bid or Protected Offer, is:
 - i. not a Public Customer order, and the Eligible Exchange can determine via identification available pursuant to the OPRA Plan that such Protected Bid or Protected Offer does not represent, in whole or in part, a Public Customer order; or
 - ii. a Public Customer order, and the Eligible Exchange can determine via identification available pursuant to the OPRA Plan that such Protected Bid or Protected Offer does not represent, in whole or in part, a Public Customer order, and, on a case-by-case basis, the Public Customer specifically authorizes the Participant to lock such Protected Bid or Protected Offer.

Amendments.

June 15, 2004.
July 12, 2004.
January 31, 2005.
September 23, 2005.
March 27, 2007.
December 5, 2007.
August 18, 2009.

Sec. 4 Reserved.

Amended.

September 13, 2005.

August 18, 2009.

July 24, 2010.

Sec. 5 Order Routing to Away Exchanges

- (a) Only orders that are specifically designated by Options Participants as eligible for routing will be routed to an Away Exchange (“Eligible Orders”). However, Market-on- Opening Orders, any Improvement Auction orders or any order identified with the condition “Fill and Kill” shall not be eligible for routing.
- (b) In order to avoid a Trade-Through or a locked or crossed market, if BOX cannot execute or book an Eligible Order, then it will route the Eligible Order to an Away Exchange on behalf of the Options Participant who submitted the Eligible Order through a third-party broker dealer that is a member of the Away Exchange. The Eligible Order shall be routed as follows:
 - (i) The full quantity of an Eligible Order shall be routed to one or more Away Exchange(s) as Immediate or Cancel (“IOC”) limit order(s) priced at the current NBBO. IOC limit order(s) will be routed to one or more Away Exchange(s) with the best Protected Bid or Protected Offer until fully executed or the limit price is reached. If the Eligible Order routed away is not executed in its entirety at the Away Exchange(s) and its limit price is reached, then it will be returned to BOX and the remainder will be treated as a new order.
 - (ii) The Eligible Order that is routed away shall remain outside BOX for a period of time and may be executed in whole or in part subject to the applicable trading rules of the relevant Away Exchange. While an Eligible Order remains outside BOX, it shall have no time priority, relative to other orders received from Options Participants at the same price which may be executed against orders in the BOX Book. Requests from Options Participants to cancel their Eligible Orders while the order is routed away to an Away Exchange and remains outside BOX shall be processed, subject to the applicable trading rules of the relevant Away Exchange.

Supplementary Material:

.01 As described above, BOX will route orders to Away Exchange(s) under certain circumstances (“Routing Services”). BOX will provide its Routing Services pursuant to the terms of an agreement between BOX and each non-affiliated third-party broker-dealer that provides Routing Services (“Routing Broker”) (“BOX Routing Agreement”). In connection with such Routing Services the following shall apply:

- (a) BOX will provide its Routing Services in compliance with these rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.
- (b) As a provider of Routing Services, BOX would enter into a Routing Agreement for the necessary routing technology to be used in connection with its own systems and accordingly would control the logic that determines when, how, and where orders are routed to Away Exchanges. The Routing Broker cannot change the routing logic.

- (c) BOX will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between BOX and the Routing Broker, and any other entity, including any affiliate of the Routing Broker, and, to the extent the Routing Broker reasonably receives confidential and proprietary information, that adequately restrict the use of such information by the Routing Broker to legitimate business purposes necessary for routing orders at the direction of BOX; and, if the Routing Broker or any of its affiliates engages in any other business activities other than providing routing services to BOX, between the segment of the Routing Broker or affiliate that provides the other business activities and the segment of the Routing Broker that provides the routing services.
- (d) BOX may not use a Routing Broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.
- (e) The BOX Routing Agreement will include terms and conditions that enable BOX to comply with this Supplementary Material .01.

.02 Any Eligible Order entered on BOX routed to an Away Exchange via a Routing Broker that results in an execution shall be binding on the Options Participant that entered such Eligible Order.

Amended.

October 16, 2009.

January 15, 2010.

February 8, 2010.

Chapter XIII Margin Requirements

Sec. 1 General Rule

No Participant or associated person may effect a transaction or carry an account for a Customer, whether a Participant or non- Participant of BOX, without proper and adequate margin in accordance with this Chapter XIII and Regulation T.

Sec. 2 Time Margin Must be Obtained

The amount of margin required by this Chapter XIII shall be obtained as promptly as possible and in any event within a reasonable time.

Sec. 3 Margin Requirements

(a) A Participant or associated person must be bound by the initial and maintenance margin requirements of either the Chicago Board Options Exchange ("CBOE") or the New York Stock Exchange ("NYSE") as the same may be in effect from time to time.

(b) Such election shall be made in writing by a notice filed with BOXR.

(c) Upon the filing of such election, a Participant or associated person shall be bound to comply with the margin rules of the CBOE or the NYSE, as applicable, as though said rules were part of these Rules.

Sec. 4 Margin Required is Minimum

(a) The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby: but nothing in these Rules shall be construed to prevent a Participant or associated person from requiring margin in an amount greater than that specified.

(b) BOXR may at any time impose higher margin requirements with respect to such positions when it deems such higher margin requirements to be advisable.

Amended.

August 31, 2006.

Sec. 5 Joint Back Office Participants

(a) *Requirements for Joint Back Office Participants.* Every Participant or associated person that maintains a joint back office ("JBO") arrangement with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System that is not an NYSE member and that has elected instead to be bound by CBOE margin requirements shall comply with the requirements prescribed below:

- i. Each JBO participant must be registered as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 and subject to the capital requirements prescribed by Rule 15c3-1 therein; and shall not be eligible to operate under the provisions of SEC Rule 15c3-1(b)(i).
- ii. Each JBO participant must meet and maintain a minimum account equity requirement of \$1,000,000 with each clearing broker-dealer where a JBO

account is carried. If equity is below \$1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.

- iii. Each JBO participant must meet and maintain the ownership standards established by the clearing broker-dealer; and
- iv. Each JBO participant must employ (or have access to) a qualified Series 27 principal.

(b) *Requirements for Clearing Participants Carrying the Accounts of JBO Participants.* Every Clearing Participant carrying JBO accounts in accordance with Regulation T, Section 220.7 of the Federal Reserve Board is subject to the requirements outlined below:

- i. Each Participant which carries JBO accounts shall not allow its (a) tentative net capital to fall below \$25 million; or in the alternative its (b) net capital to fall below \$7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker and JBO participant accounts, without regard to related account equity or clearing firm net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (b) must include the gross deductions calculated for all JBO participant accounts in the clearing firm's ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1.
- ii. Each Participant which maintains JBO accounts shall require and maintain equity of \$1,000,000 for each participant, over all related accounts. If equity is below \$1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Chapter XIII of these Rules.
- iii. Each Participant which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO Participant's account equity and the proprietary haircut calculated pursuant to SEC Rule 15c3-1 for the positions maintained in such account.
- iv. Each Participant which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.
- v. The Participant must develop risk analysis standards which are acceptable to the BOXR. At minimum these standards must comply with

the requirements of Chapter VIII, Section 6 of these Rules.

- vi. Each Participant which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing, of its intention to carry such accounts.
- vii. If at any time a Clearing Participant operating pursuant to paragraphs i(a) or (b) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such clearing member shall immediately notify BOXR of such deficiency by telegraphic or facsimile notice; and be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in paragraph (b)(1) of SEC Rule 15c3-1d, as if such broker or dealer's net capital were below the minimum standards specified by each of these paragraphs.

● ● ● *Supplementary Material: ...*

.01 JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Chapter XIII of these Rules.

Chapter XIV. INDEX RULES

Sec. 1 Application of Index Rules

The Sections in this Chapter are applicable only to index options (options on indices of securities as defined below). The Sections in Chapters I through XIII are also applicable to the options provided for in this Chapter, unless such Sections are specifically replaced or are supplemented by Sections in this Chapter. Where the Sections in this Chapter indicate that particular indices or requirements with respect to particular indices will be "Specified," BOXR shall file a proposed rule change with the Commission to specify such indices or requirements.

Adopted.

August 31, 2006.

Sec. 2 Definitions

(a) The term "aggregate exercise price" means the exercise price of the options contract times the index multiplier.

(b) The term "American-style index option" means an option on an industry or market index that can be exercised on any business day prior to expiration.

(c) The term "A.M.-settled index option" means an index options contract for which the current index value at expiration shall be determined as provided in Section 10(a)(5) of this Chapter.

(d) The term "call" means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the current index value times the index multiplier.

(e) The term "current index value" with respect to a particular index options contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by BOX. The current index value with respect to a reduced-value long term options contract is one-tenth of the current index value of the related index option. The "closing index value" shall be the last index value reported on a business day.

(f) The term "exercise price" means the specified price per unit at which the current index value may be purchased or sold upon the exercise of the option.

(g) The term "European-style index option" means an option on an industry or market index that can be exercised only on the last business day prior to the day it expires.

(h) The term "index multiplier" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

(i) The term "industry index" and "narrow-based index" mean an index designed to be representative of a particular industry or a group of related industries.

(j) The term "market index" and "broad-based index" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(k) The term "put" means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current index value times the index multiplier.

(l) The term "Quarterly Options Series" means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

(m) The term "reporting authority" with respect to a particular index means the institution or reporting service designated by BOXR as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on BOX shall be Specified (as provided in Section 1 of this Chapter) in the Supplementary Material to this Section 2.

(n) The term "Short Term Option Series" means a series in an option class that is approved for listing and trading on BOX in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

(o) The term "underlying security" or "underlying securities" with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

Amended:

July 14, 2010.

Supplementary Material to Section 2

01. The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided below.

Index	Reporting Authority
Nasdaq 100 Index	The Nasdaq Stock Market
Mini Nasdaq 100 Index	The Nasdaq Stock Market

Adopted.

August 31, 2006.

Amended.

July 17, 2007.

February 6, 2012.

Sec. 3 Designation of an Index

(a) The component securities of an index underlying a broad-based index option contract need not meet the requirements of Section 3 of Chapter IV of these Rules (Criteria for Underlying Securities). Except as set forth in subparagraph (b) below, the listing of a class of index options on an industry index requires the filing of a proposed rule change to be approved by the SEC under Section 19(b) of the Exchange Act.

(b) The Exchange may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

- (1) The index is broad-based, as defined in Section 2(j) of this Chapter;
- (2) Options on the index are designated as A.M.-settled;
- (3) The index is capitalization-weighted, modified capitalization-weighted, price-weighted, or equal dollar-weighted;
- (4) The index consists of 50 or more component securities;
- (5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least \$75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least \$100 million;
- (6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Section 3 of Chapter IV applicable to individual underlying securities;
- (7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;
- (8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;
- (9) Each component security must be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act;
- (10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;
- (11) The current index value is widely disseminated at least once every fifteen (15) seconds by OPRA, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on the Exchange;
- (12) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the

Exchange's current ISCA allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(c) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (b) above:

(1) The requirements set forth in subparagraphs (b)(1) – (b)(3) and (b)(9) – (b)(15) must continue to be satisfied. The requirements set forth in subparagraphs (b)(5) – (b)(8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the SEC under Section 19(b)(2) of the Exchange Act.

Adopted.

August 31, 2006.

Sec. 4 Dissemination of Information

(a) BOX shall disseminate, or shall assure that the current index value is disseminated, after the close of business and from time-to-time on days on which transactions in index options are made on BOX.

(b) BOX shall maintain, in files available to the public, information identifying the stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

Adopted.

August 31, 2006.

Sec. 5 Position Limits for Broad-Based Index Options

(a) Section 7 of Chapter III of these Rules (Position Limits) generally shall govern position limits for broad-based index options, as modified by this Section 5. There may be no position limit for certain Specified (as provided in Section 1 of this Chapter) broad-based index

options contracts. Except as otherwise indicated below, the position limit for a broad-based index option shall be 25,000 contracts on the same side of the market. Reduced-value options on broad-based security indices for which full-value options haven no position and exercise limits will similarly have no position and exercise limits. All other broad-based index options contracts shall be subject to a contract limitation fixed by BOXR, which shall not be larger than limits provided in the chart below.

Broad-Based Underlying Index	Standard Limit (on the same side of the market)	Restrictions
Nasdaq 100 Index	None	None
Mini Nasdaq 100 Index	None	None

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For such purposes, ten reduced-value contracts shall equal one contract.

(d) Positions in Quarterly Options Series shall be aggregated with positions in options contracts on the same index.

Adopted.

August 31, 2006.

Amended.

July 17, 2007.

December 3, 2007.

February 6, 2012

Sec. 6 Position Limits for Industry Index Options

(a) (1) Section 7 of Chapter III of these Rules (Position Limits) generally shall govern position limits for industry index options, as modified by this Section 6. Options contracts on an industry index shall, subject to the procedures specified in subparagraph (3) of this rule, be subject to the following position limits:

(i) 18,000 contracts if BOXR determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for thirty percent (30%) or more of the index value during the thirty (30)-day period immediately preceding the review; or

(ii) 24,000 contracts if BOXR determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for twenty percent (20%) or more of the index value or that any five (5) underlying stocks together accounted, on average, for more than fifty percent (50%) of the index value, but that no single stock in the group accounted, on average, for thirty percent (30%) or more of the index value, during the thirty (30)-day period immediately preceding the review; or

(iii) 31,500 contracts if BOXR determines that the conditions specified above which would require the establishment of a lower limit have not occurred.

(2) BOXR shall make the determinations required by subparagraph (1) of this paragraph (a) with respect to options on each industry index at the commencement of trading of such options on BOX and thereafter review the determination semi-annually on January 1 and July 1.

(3) If BOXR determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index is lower than the maximum position limit permitted by the criteria set forth in paragraph (1) of this paragraph (a), BOX may effect an appropriate position limit increase immediately. If BOXR determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index exceeds the maximum position limit permitted by the criteria set forth in subparagraph (1) of this paragraph (a), BOXR shall reduce the position limit applicable to such options to a level consistent with such criteria; provided, however, that such a reduction shall not become effective until after the expiration date of the most distantly expiring options series relating to the industry index that is open for trading on the date of the review; and provided further that such a reduction shall not become effective if BOXR determines, at the next semi-annual review, that the existing position limit applicable to such options is consistent with the criteria set forth in subparagraph (1) of this paragraph (a).

(b) Index options contracts shall not be aggregated with options contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one (1) full-value contract.

(d) Positions in Quarterly Options Series shall be aggregated with positions in options contracts on the same index.

Adopted.

August 31, 2006.

Amended.

July 17, 2007.

Sec. 7 Exemptions from Position Limits

(a) **Broad-based Index Hedge Exemption.** The broad-based index hedge exemption is in addition to the other exemptions available under BOX Rules, interpretations and policies. The following procedures and criteria must be satisfied to qualify for a broad-based index hedge exemption:

(1) The account in which the exempt options positions are held ("hedge exemption account") must have received prior BOXR approval for the hedge exemption specifying the maximum number of contracts that may be exempt under this Rule. The hedge exemption account must have provided all information required on BOXR-approved forms and must have kept such information current. BOXR approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two business days, or such other time period designated by BOXR, furnish BOXR with appropriate forms and documentation substantiating the basis for the exemption. The hedge exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(2) A hedge exemption account that is not carried by an Options Participant must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(3) The hedge exemption account maintains a qualified portfolio, or will effect transactions necessary to obtain a qualified portfolio concurrent with or at or about the same time as the execution of the exempt options positions, of:

(i) a net long or short position in common stocks in at least four industry groups and contains at least twenty (20) stocks, none of which accounts for more than fifteen percent (15%) of the value of the portfolio or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio; or

(ii) a net long or short position in index futures contracts or in options on index futures contracts, or long or short positions in index options or index warrants, for which the underlying index is included in the same margin or cross-margin product group cleared at the Clearing Corporation as the index options class to which the hedge exemption applies.

To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity.

(4) The exemption applies to positions in broad-based index options dealt in on BOX and is applicable to the unhedged value of the qualified portfolio. The unhedged value will be determined as follows:

(i) the values of the net long or short positions of all qualifying products in the portfolio are totaled;

(ii) for positions in excess of the standard limit, the underlying market value (A) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (B) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and

(iii) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows: the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(5) Positions in broad-based index options that are traded on BOX are exempt from the standard limits as specified below.

Broad-Based Index Option Type	Broad-Based Index Hedge Exemption (is in addition to standard limit)
Broad-based indices other than for those that do not have any position limits	75,000

(6) Only the following qualified hedging transactions and positions are eligible for purposes of hedging a qualified portfolio (i.e. stocks, futures, options and warrants) pursuant to this Section:

(i) Long put(s) used to hedge the holdings of a qualified portfolio;

(ii) Long call(s) used to hedge a short position in a qualified portfolio;

(iii) Short call(s) used to hedge the holdings of a qualified portfolio;

and

(iv) Short put(s) used to hedge a short position in a qualified portfolio.

The following strategies may be effected only in conjunction with a qualified stock portfolio for non-P.M. settled, European style index options only:

(v) A short call position accompanied by long put(s), where the short call(s) expires with the long put(s), and the strike price of the short call(s) equals

or exceeds the strike price of the long put(s) (a "collar"). Neither side of the collar transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Section 7 of Chapter III of these Rules (Position Limits) and this Section 7, a collar position will be treated as one contract;

(vi) A long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s) (a "debit put spread position"); and

(vii) A short call position accompanied by a debit put spread position, where the short call(s) expires with the puts and the strike price of the short call(s) equals or exceeds the strike price of the long put(s). Neither side of the short call, long put transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Section 7 of Chapter III of these Rules (Position Limits), and this Section 7, the short call and long put positions will be treated as one contract.

(7) The hedge exemption account shall:

(i) liquidate and establish options, stock positions, their equivalent or other qualified portfolio products in an orderly fashion; not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate a stock position or its equivalent with an equivalent index options position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option;

(ii) liquidate any options prior to or contemporaneously with a decrease in the hedged value of the qualified portfolio which options would thereby be rendered excessive; and

(iii) promptly notify BOXR of any material change in the qualified portfolio which materially affects the unhedged value of the qualified portfolio.

(8) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

(9) The hedge exemption account shall promptly provide to BOXR any information requested concerning the qualified portfolio.

(10) Positions included in a qualified portfolio that serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by BOXR or any other self regulatory organization or futures contract market.

(11) Any Options Participant that maintains a broad-based index options position in such Options Participant's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Section 7 of Chapter III of these Rules (Position Limits) and this Section 7 by the Options Participant.

(12) Violation of any of the provisions of this Rule, absent reasonable justification or excuse, shall result in withdrawal of the index hedge exemption and may form the basis for subsequent denial of an application for an index hedge exemption hereunder.

(13) Each Options Participant (other than a BOX Market Maker) that maintains a broad-based index option position on the same side of the market in excess of 100,000 contracts in NDX for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form required by BOXR. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 MNX options equal 1 NDX full-value contract). BOXR may impose other reporting requirements.

(14) Whenever BOXR determines that additional margin is warranted in light of the risks associated with an under-hedged options position in Specified (as provided in Section 1 of this Chapter) broad-based indices, BOXR may impose additional margin upon the account maintaining such under-hedged position pursuant to its authority under Section 4 of Chapter XIII of these Rules (Margin Required is Minimum). The clearing firm carrying the account also will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(b) Industry Index Hedge Exemption. The industry (narrow-based) index hedge exemption is in addition to the other exemptions available under BOX Rules, interpretations and policies, and may not exceed twice the standard limit established under Section 6 of this Chapter. Industry index options positions may be exempt from established position limits for each options contract "hedged" by an equivalent dollar amount of the underlying component securities or securities convertible into such components: provided that, in applying such hedge, each options position to be exempted is hedged by a position in at least seventy-five percent (75%) of the number of component securities underlying the index. In addition, the underlying value of the options position may not exceed the value of the underlying portfolio. The value of the underlying portfolio is: (1) the total market value of the net stock position; and (2) for positions in excess of the standard limit, subtract the underlying market value of: (i) any offsetting calls and puts in the respective index option; (ii) any offsetting positions in related stock index futures or options; and (iii) any economically equivalent positions (assuming no other hedges for these contracts exist). The following procedures and criteria must be satisfied to qualify for an industry index hedge exemption:

(1) The hedge exemption account must have received prior BOXR approval for the hedge exemption specifying the maximum number of contracts that may be exempt under this Interpretation. The hedge exemption account must have provided all information required on BOXR-approved forms and must have kept such information current. BOXR approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two business days, or such other time period designated by BOXR, furnish BOXR with appropriate forms and documentation substantiating the basis for the exemption. The hedge exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(2) A hedge exemption account that is not carried by an Options Participant must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(3) The hedge exemption account: shall liquidate and establish options, stock positions, or economically equivalent positions in an orderly fashion; shall not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and shall not initiate or liquidate a stock position or its equivalent with an equivalent index options position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option. The hedge exemption account shall liquidate any options prior to or contemporaneously with a decrease in the hedged value of the portfolio which options would thereby be rendered excessive. The hedge exemption account shall promptly notify BOXR of any change in the portfolio which materially affects the unhedged value of the portfolio.

(4) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

(5) The hedge exemption account shall promptly provide to BOXR any information requested concerning the portfolio.

(6) Positions included in a portfolio that serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by BOXR or any other self regulatory organization or futures contract market.

(7) Any Options Participant that maintains an industry index options position in such Option Participant's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Section 7 of Chapter III of these Rules (Position Limits) and this Section 7 by the Options Participant.

(8) Violation of any of the provisions of this Section 7, absent reasonable justification or excuse, shall result in withdrawal of the index hedge exemption and may

form the basis for subsequent denial of an application for an index hedge exemption hereunder.

(c) *Exemptions Granted by Other Exchanges.* An Options Participant may rely upon any available exemptions from applicable position limits granted from time to time by another options exchange for any options contract traded on BOX provided that such an Options Participant:

- i. provides BOXR with a copy of any written exemption issued by another options exchange or a written description of any exemption issued by another options exchange other than in writing containing sufficient detail for the Exchange to verify the validity of that exemption with the issuing options exchange, and
- ii. fulfills all conditions precedent for such exemption and complies at all times with the requirements of such exemption with respect to the Options Participant's trading on BOX.

Adopted.

August 31, 2006.

Amended.

December 3, 2007.

December 1, 2009.

February 6, 2012.

Sec. 8 Exercise Limits

(a) In determining compliance with Section 9 of Chapter III of these Rules (Exercise Limits), exercise limits for index options contracts shall be equivalent to the position limits prescribed for options contracts with the nearest expiration date in Section 5 or Section 6 of this Chapter. There may be no exercise limits for Specified (as provided in Section 1 of this Chapter) broad-based index options.

(b) For a market-maker granted an exemption to position limits pursuant to Section 8(c) of Chapter III of these Rules (Exemptions from Position Limits), the number of contracts that can be exercised over a five business day period shall equal the market-maker's exempted position.

(c) In determining compliance with exercise limits applicable to stock index options, options contracts on a stock index group shall not be aggregated with options contracts on an underlying stock or stocks included in such group, options contracts on one stock index group shall not be aggregated with options contracts on any other stock index group.

(d) With respect to index options contracts for which an exemption has been granted in accordance with the provisions of Section 7(a) of this Chapter, the exercise limit shall be equal to the amount of the exemption.

Adopted.

August 31, 2006.

Sec. 9 Trading Sessions

(a) **Days and Hours of Business.** Except as otherwise provided in this Rule or under unusual conditions as may be determined by the Options Official, transactions in index options may be effected on BOX between the hours of 9:30 a.m. and 4:15 p.m. Eastern time. With respect to options on foreign indexes, the Options Official shall determine the days and hours of business.

(b) **Opening.** The opening for index options shall be held at or as soon as practicable after 9:30 a.m. Eastern time. The Options Official may delay the commencement of the opening in an index option whenever in the judgment of that official such action is appropriate in the interests of a fair and orderly market. Among the factors that may be considered in making these determinations are: (1) unusual conditions or circumstances in other markets; (2) an influx of orders that has adversely affected the ability of the Market Makers in that index options to provide and to maintain fair and orderly markets; (3) activation of opening price limits in stock index futures on one or more futures exchanges; (4) activation of daily price limits in stock index futures on one or more futures exchanges; and (5) the extent to which either there has been a delay in opening or trading is not occurring in stocks underlying the index.

(c) **Instituting Halts and Suspensions.** Trading on BOX in any index option shall be halted or suspended whenever trading in underlying securities whose weighted value represents more than twenty percent (20%), in the case of a broad based index, and ten percent (10%) for all other indices, of the index value is halted or suspended. The Options Official also may halt trading in an index option when, in his or her judgment, such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the facts that may be considered are the following:

(1) whether all trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;

(2) whether the current calculation of the index derived from the current market prices of the stocks is not available;

(3) the extent to which the opening has been completed or other factors regarding the status of the opening; and

(4) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, including, but not limited to, the activation of price limits on futures exchanges.

(d) **Resumption of Trading Following a Halt or Suspension.** Trading in options of a class or series that has been the subject of a halt or suspension by BOXR may resume if the Options Official determines that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are

whether the conditions that led to the halt or suspension are no longer present, and the extent to which trading is occurring in stocks underlying the index. To resume trading, an opening shall be held in each class of index options as provided in Section 9 of Chapter V of these Rules (Opening the Market).

(e) **Circuit Breakers.** Section 12 of Chapter V of these Rules (Trading Halts Due to Extraordinary Market Volatility) applies to index options trading with respect to the initiation of a marketwide trading halt commonly known as a "circuit breaker."

(f) **Special Provisions for Foreign Indices.** When the hours of trading of the underlying primary securities market for an index option do not overlap or coincide with those of BOX, all of the provisions as described in paragraphs (c), (d) and (e) above shall not apply except for (c)(4).

(g) **Pricing When Primary Market Does Not Open.** When the primary market for a security underlying the current index value of an index option does not open for trading on a given day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, based on the opening price of that security on the next day that its primary market is open for trading. This procedure shall not be used if the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

Adopted.

August 31, 2006.

Amended.

September 18, 2009.

Sec. 10 Terms of Index Options Contracts

(a) **General.**

(1) **Meaning of Premium Bids and Offers.** Bids and offers shall be expressed in terms of dollars and cents per unit of the index.

(2) **Exercise Prices.** BOX shall determine fixed-point intervals of exercise prices for call and put options.

(3) **Expiration Months.** Index options contracts may expire at three (3)-month intervals or in consecutive months. BOX may list up to six (6) expiration months at any one time, but will not list index options that expire more than twelve (12) months out. Notwithstanding the preceding restriction, the Exchange may list up to seven (7) expiration months at any one time for any broad-based security index option contracts (e.g., NDX) upon which any exchange calculates a constant three-month volatility index.

(4) "European-Style Exercise." The following European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5), are approved for trading on BOX:

- (i) Nasdaq 100 Index.
- (ii) Mini Nasdaq 100 Index.

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

- (i) In the event that the primary market for an underlying security does not open for trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Section 9(g) of this Chapter, unless the current index value at expiration is fixed in accordance with the Rules and By-Laws of the Clearing Corporation; and
- (ii) In the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading on that day, the price of that security, for the purposes of calculating the current index value at expiration, shall be the last reported sale price of the security.

The following A.M.-settled index options are approved for trading on BOX:

- (i) Nasdaq 100 Index
 - (ii) Mini Nasdaq 100 Index
- (b) Long-Term Index Options Series.

(1) Notwithstanding the provisions of Paragraph (a)(3), above, BOX may list long-term index options series that expire from twelve (12) to sixty (60) months from the date of issuance.

- (i) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than twelve (12) months.

(ii) When a new Index long term options series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

(2) Reduced-Value Long Term Options Series.

(i) Reduced-value long term options series may be approved for trading on Specified (as provided in Section 1 of this Chapter) indices.

(ii) Expiration Mnth. Reduced-value long term options series may expire at six-month intervals. When a new expiration month is listed, series may be near or bracketing the current index value. Additional series may be added when the value of the underlying index increases or decreases by ten (10) to fifteen (15) percent.

(c) **Procedures for Adding and Deleting Strike Prices.** The procedures for adding and deleting strike prices for index options are provided in Section 6 of Chapter IV of these Rules (Series of Options Contracts Open for Trading), as amended by the following:

(1) The interval between strike prices will be no less than \$5.00: provided, that in the case of the following classes of index options, the interval between strike prices will be no less than \$2.50:

(i) Nasdaq 100 Index, if the strike price is less than \$200.

(ii) Mini Nasdaq 100 Index, if the strike price is less than \$200.

(2) New series of index options contracts may be added up to the fifth business day prior to expiration.

(3) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term "reasonably related to the current value of the underlying index" shall have the meaning set forth in Paragraph (c)(4) below.

(4) Notwithstanding any other provision of this paragraph (c), BOX may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on BOX. The exercise price of each series of index options opened for trading on BOX shall be reasonably related to the

current index value of the underlying index to which such series relates at or about the time such series of options is first opened for trading on BOX. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. BOX may also open for trading additional series of index options that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

(5) In addition to the strike price intervals permitted under other provisions of this paragraph (c), BOX may also list series at \$1 strike price intervals for Mini-Nasdaq-100 Index ("MNX" or "Mini-NDX") options, subject to following conditions:

(i) Initial Series. BOX may list series at \$1 strike price intervals for Mini-NDX options, and will list at least two \$1 strike prices above and two \$1 strike prices below the current value of the MNX at about the time a series is opened for trading on BOX. BOX shall list \$1 strike prices for Mini-NDX options that are within 5 points of the closing value of the MNX on the preceding day.

(ii) Additional Series. Additional series of the same class of Mini-NDX options may be opened for trading on BOX when BOX deems it necessary to maintain an orderly market, to meet customer demand or when the underlying MNX moves substantially from the initial strike price or prices. To the extent that any additional \$1 strike prices are listed by BOX, such additional \$1 strike prices shall be within thirty percent (30%) above or below the closing value of the MNX. BOX may also open additional \$1 strike prices that are more than 30% above or below the current MNX value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, BOX may list up to sixty (60) additional series at \$1 strike price intervals per expiration month for each series in Mini-NDX options.

(iii) BOX shall not list LEAPS on Mini-NDX options at intervals less than \$2.50. BOX may not list strike prices with \$1 intervals within \$0.50 of an existing \$2.50 strike price in the same series.

(iv) (A) Delisting Policy. With respect to Mini-NDX options added pursuant to the above paragraphs, BOX will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of the MNX, and delist series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in

Mini-NDX option series eligible for delisting shall be granted.

(C) In connection with the above referenced delisting policy, if BOX identifies series for delisting, BOX shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Mini-NDX options.

(d) **Index Level on the Last Day of Trading.** The reported level of the underlying index that is calculated by the reporting authority on the last day of trading in the underlying securities prior to expiration for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and that reflects trading activity subsequent to the opening of trading in any of the underlying securities.

(e) **Index Values for Settlement.** The Rules of the Clearing Corporation specify that, unless the BOX Rules provide otherwise, the current index value used to settle the exercise of an index options contract shall be the closing index for the day on which the index options contract is exercised in accordance with the Rules of the Clearing Corporation or, if such day is not a business day, for the most recent business day.

(f) **Index Level at Expiration.** With respect to any securities index on which options are traded on BOX, the source of the prices of component securities used to calculate the current index level at expiration is determined by the reporting authority for that index.

Amended.

August 30, 2010.
February 6, 2012.

Supplementary Material to Section 10

.01 Quarterly Options Series Program: Notwithstanding the restriction in Chapter XIV Section 10(a)(3), BOX may list and trade options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). BOX may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on exchange traded funds. In addition BOX may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) BOX may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year. For example, if BOX is trading Quarterly Options Series in the month of May 2009, it will list series that expire at the end of the second, third and fourth quarters of 2009, as well as the first and fourth quarters of 2010. Following the second quarter 2009 expiration, BOX will add series that expire at the end of the second quarter of 2010.

(b) Quarterly Options Series shall be P.M. settled.

(c) The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index at about the time that a Quarterly Options Series is opened for trading on

the Exchange. BOX shall list strike prices for Quarterly Options Series that are reasonably related to the current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on BOX. The term "reasonably related to the current index value of the underlying index" means that the exercise price is within thirty percent (30%) of the current index value. BOX may open for trading additional Quarterly Options Series of the same class when BOX deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. BOX may also open for trading additional Quarterly Options Series that are more than thirty percent (30%) away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision. The Exchange may open additional strike prices of a Quarterly Options Series that are above the value of the underlying index provided that the total number of strike prices above the value of the underlying is no greater than five. The Exchange may open additional strike prices of a Quarterly Options Series that are below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five. The opening of any new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(d) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

.02 Short Term Option Series Program: Notwithstanding the restriction in Chapter XIV Section 10(a)(3), BOX may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on the Friday of the following business week that is a business day ("Short Term Option Expiration Date"). If BOX is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if BOX is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(a) BOX may select up to thirty (30) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 30-option class restriction, BOX also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, BOX may open up to thirty (30) Short Term Option Series on index options for each expiration date in that class. BOX may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same index class.

(c) BOX may open up to 20 initial series for each option class that participates in the Short Term Options Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on BOX (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security or calculated index value). Any strike prices listed by BOX shall be within thirty percent (30%) above or below the current value of the underlying index.

(d) BOX may open up to 10 additional series for each option class that participates in the Short Term Options Series when deemed necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by BOX shall be within thirty percent (30%) above or below the current value of the underlying index. BOX may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same index option class that expire in accordance with the normal monthly expiration cycle.

.03 Notwithstanding the requirements set forth in this Section 10 and any Supplementary Material thereto, BOX may list additional expiration months on options classes opened for trading on BOX if such expiration months are opened for trading on at least one other registered national securities exchange.

Adopted.

August 31, 2006.

Amended.

July 17, 2007.
March 12, 2008.
July 9, 2008.
December 15, 2008.
July 9, 2009.
July 14, 2010.
March 1, 2011.
May 23, 2011.
January 17, 2012.
March 29, 2012.

Sec. 11 Debit Put Spread Cash Account Transactions

Debit put spread positions in European-style, broad-based index options traded on BOX (hereinafter "debit put spreads") may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a Public Customer, provided that the following procedures and criteria are met:

(a) The customer has received BOXR approval to maintain debit put spreads in a cash account carried by an Options Participant. A customer so approved is hereinafter referred to as a "spread exemption customer."

(b) The spread exemption customer has provided all information required on BOXR-approved forms and has kept such information current.

(c) The customer holds a net long position in each of the stocks of a portfolio that has been previously established or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio. The debit put spread position must be carried in an account with a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(d) The stock portfolio or its equivalent is composed of net long positions in common stocks in at least four industry groups and contains at least twenty (20) stocks, none of which accounts for more than fifteen percent (15%) of the value of the portfolio (hereinafter "qualified portfolio"). To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity in the stocks.

(e) The exemption applies to European-style broad-based index options dealt in on BOX to the extent the underlying value of such options position does not exceed the unhedged value of the qualified portfolio. The unhedged value would be determined as follows: (1) the values of the net long or short positions of all qualifying products in the portfolio are totaled; (2) for positions in excess of the standard limit, the underlying market value (A) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (B) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows--the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(f) A debit put spread in BOX-traded broad-based index options with European-style exercises is defined as a long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s). A debit put spread will be permitted in the cash account as long as it is continuously associated with a qualified portfolio of securities with a current market value at least equal to the underlying aggregate index value of the long side of the debit put spread.

(g) The qualified portfolio must be maintained with either an Options Participant, another broker-dealer, a bank, or securities depository.

(h) The spread exemption customer shall agree promptly to provide BOXR any information requested concerning the dollar value and composition of the customer's stock portfolio, and the current debit put spread positions.

(1) The spread exemption customer shall agree to and any Options Participant carrying an account for the customer shall:

(i) comply with all BOX Rules and regulations;

(ii) liquidate any debit put spreads prior to or contemporaneously with a decrease in the market value of the qualified portfolio, which debit put spreads would thereby be rendered excessive; and

(iii) promptly notify BOXR of any change in the qualified portfolio or the debit put spread position which causes the debit put spreads maintained in the cash account to be rendered excessive.

(i) If any Options Participant carrying a cash account for a spread exemption customer with a debit put spread position dealt in on BOX has a reason to believe that as a result of an opening options transaction the customer would violate this spread exemption, and such opening transaction occurs, then the Options Participant has violated this Section 11.

(j) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the spread exemption and may form the basis for subsequent denial of an application for a spread exemption hereunder.

Adopted.

August 31, 2006.

Sec. 12 Disclaimers

(a) Applicability of Disclaimers. The disclaimers in paragraph (b) below shall apply to the reporting authorities identified in the Supplemental Material to Section 2 of this Chapter.

(b) Disclaimer. No reporting authority, and no affiliate of a reporting authority (each such reporting authority, its affiliates, and any other entity identified in this Rule are referred to collectively as a "Reporting Authority"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of an index it publishes, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any options contract based thereon or for any other purpose. The Reporting Authority shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the Reporting Authority does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The Reporting Authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefor, any data included therein or relating thereto, or any options contract based thereon. The Reporting Authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any options contract based thereon, or arising out of any errors or delays in calculating or disseminating such index.

Adopted.

August 31, 2006.

Sec. 13 Exercise of American-style Index Options

No Options Participant may prepare, time stamp or submit an exercise instruction for an American-style index options series if the Options Participant knows or has reason to know that the exercise instruction calls for the exercise of more contracts than the then "net long position" of the account for which the exercise instruction is to be tendered. For purposes of this Rule: (i) the term "net long position" shall mean the net position of the account in such option at the opening of business of the day of such exercise instruction, plus the total number of such options purchased that day in opening purchase transactions up to the time of exercise, less the total number of such options sold that day in closing sale transactions up to the time of exercise; (ii) the "account" shall be the individual account of the particular customer, market-maker or "non-customer" (as that term is defined in the By-Laws of the Clearing Corporation) who wishes to exercise; and (iii) every transaction in an options series effected by a market-maker in a market-maker's account shall be deemed to be a closing transaction in respect of the market-maker's then positions in such options series. No Options Participant may adjust the designation of an "opening transaction" in any such option to a "closing transaction" except to remedy mistakes or errors made in good faith.

Adopted.

August 31, 2006.

Appendix

As BOX was a facility of the Exchange, BOX Options Participants were to adhere to the BOX Rules and Rules of the Exchange which were in effect, while BOX was a facility of the Exchange. This Appendix lists the Exchange Rules that applied to the trading of securities on BOX and to also provide that Rules regarding Disciplining of Members and Arbitration procedures are now governed by BX Rules 9000 Series and 10000 Series.. In addition, the following is intended to assist former BOX Options Participants in assessing where a section of the Exchange Rules was supplemented by a specific BOX Rule. Where an applicable Exchange Rule was supplemented by a BOX Rule, that fact is so indicated.

Existing Grandfathered BSE Rule	Supplemented	by BOX
Rule		
Incorporated Constitution Provision		
Article IX Membership		
Section:		
6. Investigation and acceptance by Exchange	Ch. II, Sec. 1(c)	

Rules of the Board of Governors or BSE Rules

CHAPTER I Definitions

Section:

1. Exchange Board of Governors

2. Member, Membership, Member-Firm, etc. Ch. III, Sec. 7(e)

3. Orders

CHAPTER I-B Business Hours

Section:

1. Primary Session Ch. V, Secs. 3(b), 3(c), 10(a)

2. Dealings on Floor --Hours

3. Dealings on Floor --Persons Ch. XI, Sec. 3(a)

CHAPTER II Dealings on the Exchange

Section:

2. Recording of sales

3. Bids and Offers Binding	Ch. V, Secs. 7, 21
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6. Bids and Offers for Stocks	Ch. V, Secs. 14(b), 16(a)(i)
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7. Dissemination of Quotations	Ch. VI, Secs. 6(c), 6(c)(5)
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8. Excessive Trading by Members	Ch. XI, Sec. 12(c)
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9. Trading for Joint Account	
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10. Discretionary Transactions	Ch. XI, Secs. 10(a), 12(a), 12(d)
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11. Trading While Acting as a Broker as to Market Orders	
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12. Successive Transactions	
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13. Trading Against Privileges	
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14. Unbusinesslike Dealing	
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15. Record of Orders from Offices to Floor	Ch. II, Sec. 2(e); Ch. VIII, Sec. 1(a)
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19. Wide Market	
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20. Undisclosed Compensation	
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21. Fictitious Transactions	
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25. Violation of Securities Exchange Act of 1934	
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26-31. Anti-Manipulative Provisions

Ch. III, Sec. 3; Ch.
V, Sec.
1(b)(vi)

36. Specialist Member Organizations Affiliated with an
Approved Person

Ch. II,
Sec. 2(e);
Ch. VI, Secs.
10(a),
10(c)-(e)

37. ITSFEA procedures

Ch. III, Sec. 4

40. Limit Order Display Rule

CHAPTER III Comparisons-Liability on Contracts

Section:

1. Reporting Transactions

2. Penalty for Neglect

3. Errors in Comparison

4. Failures to Compare

5. Substitution of Principals

7. Book-Entry Settlement

8. Depository Eligibility Rule

CHAPTER IV Contracts on Time-Deposits

Section:

1. Interest Thereon

2. Falling Due on Holidays

3. Deposits Required

4. Failure to Make Deposit

5. Deposits --Where Made

CHAPTER VI Failure to Fulfill Contracts

Ch. V, Secs. 24(a), (b)

Section:

1. Closing Contracts

2. Notice of Closing Contracts

3. Procedure --Notice of Intention to Buy or Sell

4. How Default May be Cured

5-6. Notices as to Closed Contract

7-8. Orders Must be in Writing

9-10. Penalties for Defaults

13. Payment of Loan of Money

**CHAPTER VII Carrying of Accounts- Customers'
Securities- Give-Up Orders**

Ch. XI,
Secs. 9(a),
10, 10(a)

Section:

1. Adequate Margin Required

2. Improper Margin Transactions Prohibited

Ch. XI, Secs. 9(b), (c),

3. Improper Use of Customer's Securities

Ch. XI, Secs. 18(a)-(d)

4. "Give-Ups"

Ch. V, Sec. 22, Ch. XI,
Secs. 18(b)-(d)

5. Securities to be Available to Customer

Ch. XI, Secs. 18(b)-(d)

**CHAPTER VIII Minimum Amount of Margin on Transactions
Made During the Course of a Single Day in Accounts of
Members, Allied-Members and Member-Organizations**

Section:

1. Members' and Allied-Members' Accounts

2. Member-Organization Accounts

CHAPTER XV Specialists

Section:

1. Registration Ch. VI., Secs. 1, 3, 5(c), (a)

2. Responsibilities Ch. VI, Secs. 5 (a), (b), (e),
7(a)

3. Code of Acceptable Business Practices for
Specialists

4. Precedence to Orders in the Book

5. Preference on Competitive Basis

7. Joint Accounts Ch. VI, Sec. 7(c)

8. Records Ch. VIII, Sec. 1(a)

12. Restriction on Transactions by Issuing Company

13. Suspension of Registration

14. Claims and Reports Against Specialists

CHAPTER XVII Members Dealing for Own Account

CHAPTER XVIII Conduct

Section:

1. Penalties

2. False and Sensational Reports

3. Other Penalties

4. Imposition of Fines for Minor Violation(s) of Rules
and Floor Decorum Policies

5. Failure to Respond to Exchange Inquiries Ch. V, Sec. 1(b)(vii)

CHAPTER XIX Wire Connections

Section:

1. Registration with Exchange --Notice of
Discontinuance

CHAPTER XX Employees for the Solicitation of Business Ch. XI,
Sec. 3(c)

Section:

1. Nominal Employment Forbidden Ch. II, Sec. 4(b)

2. Prior Approval Required Ch. II, Sec. 4(b)

3. Types of Registration

4. Exchange May Disapprove Ch. II, Sec. 3(a)

5. Notice of Termination Ch. XI, Secs. 2(c), 4(a)

6. Gratuities

CHAPTER XXI Advertising and Market Letters Ch. XI, Secs. 24,
24(a), 24(b),
24(d)

Section:

1. False or Misleading Material

2. Definitions

3. Review by Exchange

4. Radio and Television Broadcasts

5. Responsibility of Exchange

6. Contents of Material-Limitations

7. Recommendations Ch. XI, Secs. 11(a), (b)

8. Testimonials and Statements Ch. XI, Secs. 11(a), (b)

CHAPTER XXII Financial Reports and Requirements Ch. VIII,
--Aggregate Indebtedness --Net Capital Member's and Secs. 1(a),
Member-Organization's Statement of Financial Condition 1(b)

Section:

1. Member's and Member-Organization's Statement of Financial Condition	Ch. II, Secs. 2(d), (e)
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2. Capital and Equity Requirements	Ch. II, Secs. 2(d), (e)
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CHAPTER XXII-A Blanket and Fidelity Bonds	Ch. XI, Sec 25(a), 25(c)
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CHAPTER XXIV Portfolio Depository Receipts

Section:

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| 1. Applicability |
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| 2. Definitions |
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| 3. Disclosure |
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| 4. Designation of an Index or Portfolio |
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| 5. Initial and Continued Listing and/or Trading |
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| 6. Limitation on Exchange Liability |
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| 7. Nasdaq-100 Index |
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CHAPTER XXIV-A Trust Issued Receipts

Section:

1. Applicability

2. Definitions

3. Disclosure

4. Designation

5. Initial and Continued Listing and/or Trading

CHAPTER XXIV-B Index Fund Shares

Section:

1. Applicability

2. Definitions

3. Disclosure

4. Designation

5. Initial and Continued Listing and/or Trading

CHAPTER XXX Disciplining of Members

Ch. VIII,
Secs. 5(b), (c)

See BX Rules 9000 Series (Code of Procedure)

CHAPTER XXXII Arbitration
See BX Rules 10000 Series (Code of Arbitration Procedure)

CHAPTER XXXIII BEACON --Routing Network

Section:

7. BEACON Liability

Ch. V, Sec. 26

CHAPTER XXXIV Minor Rule Violations

Section:

1. General

2. Rule Violations

CHAPTER XXXV Trading in Nasdaq Securities

28. Short Sales

Ch. VI, Sec. 11
