

New language
[deleted language]

BOX OPTIONS EXCHANGE LLC

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Rule 8040 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. Ordinarily, Market Makers are expected to:

(1) through (6) No change.

(7) 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 the Exchange may establish differences other than the above for one or more options series

(i) The bid/offer differentials stated in Rule 8040(a)(7) 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[;

(ii) 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 Rule 8040(a)(7), 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].

(8) through (10) No change.

(b) through (f) No change.

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