CBOE EXECUTE SUCCESS℠

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Via Electronic Mail
Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-0609
rule-comments@sec.gov

Re: File No. SR-BOX-2016-48

Dear Mr. Fields:

The Chicago Board Options Exchange, Inc. ("CBOE") appreciates the opportunity to comment on the proposed rule change of BOX Options Exchange LLC ("BOX") to adopt rules for an open-outcry trading floor, rule filing number SR-BOX-2016-48 (the "BOX Proposal").[1]

CBOE is the operator of a hybrid trading model that successfully integrates electronic trading and traditional open-outcry trading. For years, all CBOE trades occurred in open-outcry on our trading floor, and to this day, open-outcry trading remains an integral part of the CBOE marketplace. Needless to say, CBOE is a great proponent of open-outcry trading. However, the BOX Proposal to adopt a trading floor is so clearly designed to reduce meaningful competition and price improvement opportunities that we believe it should be disapproved.

One of the main tenants of the options market is that option orders get exposed to an on-exchange auction process before orders can be crossed—a process that is highly beneficial to customer orders. Unfortunately, the BOX Proposal attempts to minimize, at every turn, the opportunity for open-outcry orders on the BOX trading floor to receive price improvement. Indeed, it is a poorly veiled effort to attract order flow from firms seeking to cross orders unimpeded.

Fragmentation is a growing concern in the U.S. securities markets. While the problem is more acute in the cash equities market, it is present in the listed options market and the BOX proposal compounds fragmentation concerns on two fronts. First, it adds yet another trading venue that must be staffed by firms with finite resources and liquidity without offering anything unique or beneficial to customers. Second, it is structured to minimize the ability of market maker and public customer trading interest to interact with, and provide price improvement to,

[1] *See* Securities Exchange Act Release No. 79421 (November 29, 2016), 81 FR 87607 (December 5, 2016).

orders being crossed on the BOX floor.[2] CBOE believes the options market benefits from exchanges that support increased interactions between institutional order flow, retail order flow, and professional liquidity provision and that better reward market-maker liquidity and order competition. These features promote a healthy marketplace and improve execution prices for market participants. The BOX Proposal, however, is not innovative or supportive of the interaction of diverse order flow; instead, BOX is simply offering a frictionless crossing mechanism, which can be utilized to the detriment of customers.

CBOE is a champion of trading floors and all that they can offer the marketplace. However, in order to protect customers and ensure the BOX trading floor adds value to the options market, CBOE urges the Securities and Exchange Commission to consider the fact that the BOX Proposal will contribute to fragmentation and needlessly deny the opportunity for orders to receive meaningful price improvement.

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We appreciate the opportunity to comment on the BOX Proposal and believe it should be disapproved in its current form. If you have any questions please contact me at [redacted] or Kyle Edwards at [redacted].

Sincerely,

Angelo Evangelou

cc: David S. Shillman, SEC Division of Trading and Markets
John Roeser, SEC Division of Trading and Markets
Tyler Raimo, SEC Division of Trading and Markets

[2] For example, the proposed rules appear to discourage: the representation of single sided orders on the floor, executions against resting public customer interest in the BOX book unless certain arbitrary parameters are met, and potential market maker price improvement via the imposition of electronic quoting and physical boundary requirements.