



February 23, 2017

**Via Electronic Mail**

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, D.C. 20549-1090

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

Dear Mr. Fields:

BOX Options Exchange LLC filed the attached Partial Amendment No.1 to the above-referenced filing on February 21, 2017.

Sincerely,

A handwritten signature in black ink that reads "L. J. Fall". The signature is written in a cursive, slightly slanted style.

Lisa J. Fall  
President  
BOX Options Exchange LLC

Encl. (Partial Amendment No. 1 to SR-BOX-2016-48)

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 18	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 48	Amendment No. (req. for Amendments *) 1
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Filing by BOX Options Exchange LLC.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

**Contact Information**  
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Alana	Last Name * Barton
Title * VP, Legal Affairs	
E-mail * [REDACTED]	
Telephone * [REDACTED]	Fax [REDACTED]

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 02/21/2017	VP, Risk and Compliance
By Jamie Alano (Name *)	[REDACTED]

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**SR-BOX-2016-48 Partial Amendment 1**

BOX Options Exchange LLC (“BOX” or “Exchange”) is filing this Partial Amendment No.1 to SR-BOX-2016-48 that proposed to adopt rules for an open-outcry trading floor. The Exchange believes that the proposed changes in this amendment are either technical in nature or seek to clarify the filing further and are not substantive changes. Therefore, the Exchange respectfully requests accelerated approval of the proposed amendment.

\* \* \* \* \*

1. P. 9 – 11 of the Purpose Section in the 19b-2 and P. 88 – 89 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:<sup>1</sup>

“The Exchange is proposing Rule 2110, which details the sanctions for breach of regulations on the Trading Floor. Specifically, the rule states that an Options Exchange Official or Exchange Staff may exclude a Floor Participant and any associated person from the Trading Floor and also impose on Floor Participants and their associated persons fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or an Options Exchange Official. Additionally, Exchange Staff may refer the matter for discipline in accordance with the Rule 12000 series.<sup>15</sup> Floor Participants and/or their associated persons may be excluded from the Trading Floor by the Exchange for a period of up to five (5) business days. Proposed Rule 2110(c) covers the situation when a Floor Participant is excluded from the Trading Floor for a period of time. Specifically, if a Floor Participant and/or its associated persons shall be excluded for a period exceeding forty-eight hours, an expedited hearing (“Expedited Hearing”) will be held before the Hearing Panel (“Panel”), as provided in Rule 12060, or a member of the Panel designated by the Chairman (“Expedited Hearing Officer”) within forty-eight (48) business hours after the Floor Participant and/or its associated persons' exclusion from the Trading Floor.<sup>16</sup> The Exchange is also proposing to provide clarity on the procedures dealing with an exclusion from the Trading Floor, including written notice, availability of counsel, and ruling.

Lastly, the Exchange sets forth the procedure to be followed in cases where a pre-set fine of up to \$5,000.00 is summarily assessed for actions related to the Trading Floor and also the procedure to be followed when a Floor Participant and/or its associated persons are to be excluded from the Trading Floor.<sup>17</sup> The proposed procedures for when a pre-set fine of up to \$5,000 is imposed includes the following information: (1) notice of fine, (2) time and place

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<sup>1</sup> The Exchange will file a separate rule filing to cover disciplinary procedures on the Trading Floor.

of hearing, (3) record, (4) procedure, (5) finding, (6) forum fee, (7) no right of appeal, and (8) report to the SEC. The determination that a Floor Participant shall be excluded from the Trading Floor is final; there shall be no appeal from such determination. Additionally, a report to the SEC may be made when a Floor Participant is excluded from the Trading Floor.

The Exchange is proposing to add Rule 2120, which will allow the Exchange to enforce compliance with the Order and Decorum Code for the Trading Floor, as provided in the Exchange's Order and Decorum Policies which shall be distributed to Floor Participants periodically, pursuant to Rule 2110. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may refer the matter to the Panel where it shall proceed in accordance with the Rule 12000 Series as applicable.<sup>18</sup>

2. P. 13 of the Purpose Section in the 19b-2 and P. 92 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“See proposed Rule 7550. Proposed Rule 7550 is based on PHLX Rule 1061.”

And replace the language with the following:

“See proposed Rule 7550. Proposed Rule 7550 is based on PHLX Rule 1061. The Exchange notes PHLX Rule 1061 does not give PHLX the discretion to determine if a Floor Broker's examination will be required as the Exchange is proposing. The Exchange believes that having discretion is reasonable because the passing of the Floor Broker examination on PHLX is not the only requirement of applicants, a Floor Broker can still be denied registration as a Floor Broker on PHLX, even if they pass the Floor Broker examination. Additionally, the Exchange may determine that the requirement for Floor Brokers to pass a Floor Broker examination is not a necessary burden on Floor Brokers due to the fact that Floor Brokers must already be registered as BOX Participants before becoming a Floor Broker which means the Floor Broker must satisfy and comply with additional Exchange Rules. The Exchange notes that, although the Exchange may not require the passing of a Floor Broker's examination, the Exchange will not arbitrarily disapprove an applicant's registration as a Floor Broker.”

3. P. 16-17 of the Purpose Section in the 19b-2 and P. 95 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“When a Floor Broker submits an order for execution through the BOG, the order will be executed based on market conditions and in accordance with Exchange rules.<sup>42</sup>”

And replace the language with the following:

“When a Floor Broker submits an order for execution through the BOG, the order will be executed based on the market conditions of when the QOO is received and processed by the Trading Host, and in accordance with Exchange rules.<sup>42</sup>”

4. P. 18 of the Purpose Section in the 19b-2 and P. 97 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“BOX does not believe that these rules are necessary because all orders on the Trading Floor are only executed when they are received by the BOG, which will allow the Exchange to capture the required audit trail information.”

And replace the language with the following:

“BOX does not believe that these rules are necessary because all orders on the Trading Floor are only executed when they are received and processed by the Trading Host, which will allow the Exchange to capture the required audit trail information.”

5. P. 20 of the Purpose Section in the 19b-2 and P.98 of the Purpose Section in Exhibit 1, the Exchange proposes to add the following language before the first full paragraph:

“ A Floor Broker is welcome to bring an unmatched order to the Trading Floor in order to seek liquidity. Once liquidity is sourced they must simply enter the order into the BOX system using the QOO Order type as a two-sided order to endure proper execution. Floor Brokers may also enter single sided orders into the BOX Book using BOX’s electronic interface.”

6. P. 20 of the Purpose Section in the 19b-2 and P. 99 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Once the Floor Broker submits the QOO Order to the BOG there will be no opportunity for the submitting Floor Broker to alter the terms of the QOO Order.<sup>54</sup>”

And replace the language with the following:

“Once the Floor Broker submits the QOO Order to the BOG there will be no opportunity for the submitting Floor Broker, or anyone else, to alter the terms of the QOO Order.<sup>54</sup>”

7. P. 20 of the Purpose Section in the 19b-2 and P. 99 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“The Exchange is additionally proposing that when a Floor Broker executes a Complex QOO Order, the priority and rules for Complex Orders contained in Rule 7240(b)(2) and (3) will continue to apply, except that the Floor Broker may disable the Complex Order Filter under Rule 7240(b)(3)(iii).”

And replace the language with the following:

“The Exchange is additionally proposing that when a Floor Broker executes a Complex QOO Order, the priority and rules for Complex Orders contained in Rule 7240(b)(2) and (3) will continue to apply, except that the Floor Broker may disable the NBBO aspect of the Complex Order Filter under Rule 7240(b)(3)(iii).”

8. P. 22 of the Purpose Section in the 19b-2 and P. 100 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“The Exchange believes that by having the QOO Order execute when it is received by the BOG, the Exchange is providing a system that will prevent executions that appear to be at prices that are worse than the NBBO due to the fact that on traditional open-outcry floors the time that the execution is printed may be substantially after the time an execution actually occurred on the trading floor.”

And replace the language with the following:

“The Exchange believes that by having the QOO Order execute when it is received and processed by the Trading Host, the Exchange is providing a system that will prevent executions that appear to be at prices that are worse than the NBBO due to the fact that on traditional open-outcry floors the time that the execution is printed may be substantially after the time an execution actually occurred on the trading floor.”

9. P.22 of the Purpose Section in the 19b-2 and P. 100 – 101 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“The Exchange is proposing that the initiating side of the QOO Order will first execute against any bids or offers that have priority pursuant to proposed Rule 7600(c), provided that an adequate book sweep size pursuant to proposed Rule 7600(h) was provided by the Floor Broker, and then the remaining balance will be executed through the Trading Host against the contra-side of the QOO Order.<sup>61</sup> The executing Floor Broker will be responsible for ensuring that any Floor Participant that responded with interest during the Market Probe outlined in 7600(b) receives their allocation.”

And replace the language with the following:

“The Exchange is proposing that the initiating side of the QOO Order will first match against any bids or offers on the BOX Book that have priority pursuant to proposed Rule 7600(c), provided that an adequate book sweep size was provided by the Floor

Broker pursuant to paragraph (h), and then the remaining balance will be matched through the Trading Host against the contra-side of the QOO Order, regardless of whether the contra-side order submitted by the Floor Broker is ultimately entitled to receive an allocation.<sup>61</sup> The executing Floor Broker will be responsible for ensuring that any Floor Participant that responded with interest during the Market Probe outlined in 7600(b) receives their proper allocation. If interest was discovered during the Market Probe, the Floor Broker shall enter the correct allocations into the Exchange's system where the trade will be recorded."

10. P. 36 – 37 of the Purpose Section in the 19b-2 and P. 114 – 116 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

*"Split Price Transactions"*

The Exchange is proposing rules for split price transactions occurring on the Trading Floor.<sup>80</sup> Specifically, if a Floor Participant purchases (sells) one or more option contracts of a particular series at a particular price or prices, the Floor Participant must, at the next lower (higher) price at which another Floor Participant bids (offers), have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that the Floor Participant purchased (sold) at the higher (lower) price or prices, provided that the Floor Participant's bid (offer) is made promptly and continuously and that the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). The Exchange notes that this proposed Rule 7610(f) only applies to transactions effected on the Trading Floor. Further, the priority afforded by this proposed Rule 7610(f) is effective only insofar as it does not conflict with Public Customer Orders represented in the BOX Book. Such orders have precedence over Floor Participants' orders at a particular price; Public Customer Orders in the BOX Book also have precedence over Floor Participants' orders that are not superior in price by at least one minimum trading increment.

Additionally, if a Floor Participant purchases (sells) 50 or more option contracts of a particular series at a particular price or prices, the Floor Participant shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that the Floor Participant purchased (sold) at the higher (lower) price or prices, but only if the Floor Participant bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of the transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). The Exchange may increase the minimum qualifying order size above 100 contracts for split price priority for all products. Announcements regarding changes to the minimum qualifying order size shall be made via Circular. If the bids or offers of two or more Floor Participants are both entitled to priority in accordance with paragraphs (1)

and (2) of proposed Rule 7610(f), it shall be afforded them, insofar as practicable, on an equal basis.

The Exchange is also proposing to add clarifying language with respect to split price priority that provides that Floor Participants who bid (offer) on behalf of a non-Market Maker Participant must ensure that the non-Market Maker Participant qualifies for an exemption from Section 11(a)(1) of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T), otherwise the Floor Participant must yield priority to orders for the accounts of non-Participants. The Exchange notes that the proposed rule providing for split price priority is similar to the rule of another exchange.<sup>81</sup>”

**11.** P. 38 of the Purpose Section in the 19b-2 and P. 116 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Multiple Public Customer and non-Public Customer Orders at the same price are ranked based on time priority.”

And replace the language with the following:

“Multiple Public Customer and non-Public Customer Orders at the same price are ranked based on time priority and will execute against the initiating side of the QOO Order in the order they are ranked. For example, assume the interest on the BOX Book contains a Market Maker’s quote and a Public Customer order, at the same price. If the Market Maker’s quote was received by the Exchange before the Public Customer Order it will have time priority on the BOX Book. When executing against the QOO Order, the Market Maker’s quote will be filled first, and then the Public Customer Order will be filled, if there is remaining quantity.”

**12.** The Exchange proposes to add the following footnote at the end of the third full sentence on P.38 of the Purpose Section in the 19b-2 and P. 116 of the Purpose Section in Exhibit 1:

“The contra-side of the QOO Order submitted by the executing Floor Broker is included in this step.”

**13.** P. 38 of the Purpose Section in the 19b-2 and P. 116 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“The Exchange is also proposing language related to Section 11(a)(1)(G) of the Exchange Act. Specifically, Floor Brokers relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (“G exemption rule”) as an exemption must also yield priority to any equal-priced non-member bids or offers on the BOX Book.”

And replace the language with the following:

“The Exchange is also proposing language related to Section 11(a)(1)(G) of the Exchange Act. Specifically, Floor Brokers relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder ("G exemption rule") as an exemption must also yield priority to any equal-priced non-Participant bids or offers.”

**14.** P. 40 of the Purpose Section in the 19b-2 and P. 118 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Furthermore, failure to promptly comply with other Options Exchange Official rulings issued pursuant to the Exchange’s Order and Decorum Policies (Rule 2120) or violation of any additional Trading Floor policies and not concerning a trading dispute may result in an additional violation.

**15.** P. 40 of the Purpose Section in the 19b-2 and P.119 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Proposed Rule 7640(d) states that Options Exchange Official rulings issued pursuant to the Order and Decorum Code are reviewable pursuant to IM-2110-1. All other Options Exchange Official rulings are reviewable pursuant to paragraph (e) of proposed Rule 7640.”

**16.** P. 51 of the Purpose Section in the 19b-2 and P. 129 – 130 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Additionally, any transactions for a Participant for an account in which it has an interest: (1) which results for an order entered off the Floor following a conversation relating thereto with a Floor Participant on the Floor who is a partner of or stockholder in such Participant; or (2) which results from an order entered off the Floor following the unsolicited submission from the Floor to the office of a quotation in a stock or Exchange-Traded Fund Share and the size of the market by a Participant on the Floor who is a partner of or stockholder in such Participant; or (3) which results from an order entered off the Floor which is executed by a Participant on the Floor who is a partner of or stockholder in such Participant and who had handled the order on a "not-held" basis;<sup>116</sup> or (4) which results from an order entered off the Floor which is executed by a Participant on the Floor who is a partner of or stockholder in such Participant and who has changed the terms of the order.”

And replace the language with the following:

“Additionally, the following will be treated as on-Floor orders, any transactions for a Participant for an account in which it has an interest: (1) which results from an order entered off the Floor following a conversation relating thereto with a Floor Participant on the Floor who is a partner of or stockholder in such Participant; or (2) which results from an order entered off the Floor following the unsolicited submission from the Floor to the office of a quotation in a stock or Exchange-Traded Fund Share and the size of the market by a Participant on the Floor who is a partner of or stockholder in such Participant; or (3) which results from an order entered off the Floor which is executed by a Participant on the Floor who is a partner of or stockholder in such Participant and who had handled the order on a "not-held" basis;<sup>116</sup> or (4) which results from an order entered off the Floor which is executed by a Participant on the Floor who is a partner of or stockholder in such Participant and who has changed the terms of the order.”

17. P. 57 – 58 of the Purpose Section in 19b-2 and P. 135 – 136 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

**“Sanctions for Breach of Regulations on the Trading Floor**

The proposed rule dealing with breaches of regulations on the Trading Floor<sup>131</sup> is consistent with, and furthers the objectives of the Act, because the proposed Rule should facilitate prompt, appropriate, and effective discipline for violations of the Exchange’s Rules and the regulations thereunder designed to maintain order on the Trading Floor. In addition, the proposed rule is consistent with Section 6(b)(6) of the Act<sup>132</sup> which requires the rules of an exchange provide that its members be appropriately disciplined for violations of the Act as well as the rules and regulations thereunder, by imposing increased fine amounts for breaches of order and decorum to better reflect the severity of the violation and provide an appropriate form of deterrence for violations of the Exchange’s Rules and the regulations thereunder. The Exchange believes that the proposed Rule provides adequate notice and process for a Floor Participant that is subject to sanctions for breach of the Exchange’s Rules and regulations. The Exchange believes that the proposal to exclude Floor Participants for up to five (5) days and conduct an expedited hearing will provide a fair process for Floor Participants to present their arguments surrounding a removal, while also allowing the Exchange to operate without disruption and threat of safety to Floor Participants on the Trading Floor. Additionally, the proposed Rules covering sanctions for breaches of regulations are based on the rules of another exchange with an open-outcry floor.<sup>133</sup>

In addition, the Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objective of Section 6(b)(4) of the Act<sup>134</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange believes that this proposal is equitable in that the

forum fee would apply to all Participants equally. The addition of the forum fee will help the Exchange offset costs associated with reviewing contested citations.”

18. P. 61 of the Purpose Section in the 19b-2 and P. 140 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Specifically, the requirement that a Floor Broker use due diligence in handling an order and the requirement to ascertain that, if possible, at least one Floor Market Maker is present when the order is announced on the Trading Floor, are designed to promote just and equitable principles of trade, and, in general to protect investors and the public interest by providing the opportunity for additional interaction and price improvement from any Floor Market Makers.”

And replace the language with the following:

“Specifically, the requirement that a Floor Broker use due diligence in handling an order to cause the order to be executed at the best price or prices available to him in accordance with the Rules of the Exchange is designed to promote just and equitable principles of trade, and, in general to protect investors and the public interest by ensuring that a Floor Broker satisfies his obligations when executing an order entrusted to him.”

19. P. 62 of the Purpose Section in the 19b-2 and P. 140 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language and the corresponding footnote:

“See proposed Rule 7580(a).”

20. P. 63 – 64 of the Purpose Section in the 19b-2 and P. 141 – 142 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

### **“Executions and Priority”**

The proposed rule change is consistent with Section 11(a) of the Act and the rules thereunder. The Commission has stated various times that it believes transactions executed against interest on the BOX Book are consistent with the requirements of Section 11(a) of the Act, including Section 11(a)(1)(G) thereof and the rules thereunder.<sup>154</sup> QOO Orders executing against interest on the BOX Book, as discussed above, present no novel issues under Section 11(a) and the rules thereunder from a compliance, surveillance or enforcement perspective. However, under the proposed rules, Floor Participants will be required to comply, and are subject to review for compliance, with Section 11(a) and the rules thereunder when executing QOO Orders against bids and offers in the trading crowd in accordance with the priority rules discussed above. For example, if a non-Market Maker Floor Participant is trading for its own account, the

account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion and, consistent with the otherwise applicable priority rules, seeks to execute a transaction with the trading crowd at the same price, the Floor Participant must comply with Rule 11a1-1(T) under Section 11(a)(1)(G) of the Act by first announcing that a bid or offer is for its account and then yielding priority to all orders in the trading crowd for the account of non-Participants unless it can qualify for and rely upon another exception to Section 11(a)(1) of the Act. If the Floor Participant cannot rely upon another exception to Section 11(a)(1) of the Act and is unable to determine whether an executable order from the trading crowd at the same price is for the account of a Participant, the Floor Participant must also yield priority to that order. The proposed rule changes would not limit in any way the obligation of a BOX Participant, while acting as a Floor Broker or otherwise, to comply with Section 11(a) or the rules thereunder.”

And replace the language with the following:

**“Executions and Priority**

The proposed rule change is consistent with Section 11(a) of the Act and the rules thereunder. The Commission has stated that it believes transactions executed against interest on the BOX Book are consistent with the requirements of Section 11(a) of the Act, including Section 11(a)(1)(G) thereof and the rules thereunder.<sup>2</sup>

QOO Orders executing against interest on the BOX Book, as discussed above, present no novel issues under Section 11(a) and the rules thereunder from a compliance, surveillance or enforcement perspective. To the extent execution of orders against interest on the BOX Book relies upon an exemption to Section 11(a)(1)(G) provided by Rule 11a2-2(T) thereunder (the “effect versus execute” rule), Floor Brokers are responsible for ensuring compliance with the effect versus execute rule when entering a QOO Order on the BOG.<sup>3</sup> The effect versus execute rule requires that the order by a Participant for its own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion (a “covered account”) be transmitted from off the exchange floor, which requirement is satisfied when such an order is transmitted electronically from a remote terminal directly to an automated system.<sup>4</sup> Accordingly, to maintain compliance with the effect versus execute rule, a non-Market Maker Floor Participant trading for a covered account may not enter a QOO Order on the BOG from the Trading Floor if such an order would

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<sup>2</sup> “See Securities Exchange Act Release No. 71148 (December 19, 2013), 78 FR 78437 (December 26, 2013)(Order Approving SR-BOX-2013-43).”

<sup>3</sup> “See proposed rule 7610(f)(5).”

<sup>4</sup> “See Securities Exchange Act Release No. 59472 (February 27, 2009)(Order Approving SR-NYSEALTR-2008-14) at 28.”

execute against the BOX Book. Floor Brokers are subject to review with respect to such compliance. Since the proposed rule changes will not allow the execution of QOO Orders against interest on the BOX Book by Participants for covered accounts, Section 11(a) compliance is not affected on the Exchange's automated system.

Under the proposed rules, Floor Participants also will be required to comply, and are subject to review for compliance, with Section 11(a) and the rules thereunder when executing QOO Orders against bids and offers in the trading crowd in accordance with the priority rules discussed above. For example, if a non-Market Maker Floor Participant is trading for a covered account and, consistent with the otherwise applicable priority rules, seeks to execute a transaction with the trading crowd, the Floor Participant must comply with Rule 11a1-1(T) under Section 11(a)(1)(G) of the Act by first announcing that a bid or offer is for its account and then yielding priority to all orders in the trading crowd for the account of non-Participants at the same price unless it can qualify for and rely upon another exception to Section 11(a)(1) of the Act.<sup>5</sup> If the Floor Participant cannot rely upon another exception to Section 11(a)(1) of the Act and is unable to determine whether an executable order from the trading crowd at the same price is for the account of a Participant, the Floor Participant must also yield priority to that order. The proposed rule changes would not limit in any way the obligation of a BOX Participant, while acting as a Floor Broker or otherwise, to comply with Section 11(a) or the rules thereunder.”

**21.** P. 66 of the Purpose Section in the 19b-2 and P. 144 – 145 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“The Exchange believes that allowing Floor Brokers to disable the current Complex Order Filter on order executed on the Trading Floor is reasonable because other exchanges do not have NBBO protection for complex orders.<sup>163</sup>”

And replace the language with the following:

“The Exchange believes that allowing Floor Brokers to disable the NBBO aspect of the Complex Order Filter on order executed on the Trading Floor is reasonable because other exchanges do not have NBBO protection for complex orders.<sup>163</sup>”

**22.** P. 66 of the Purpose Section in the 19b-2 and P. 145 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“BOX believes the adoption of split price priority rules<sup>164</sup> is consistent with the Act. In particular, the proposed rules are designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanisms of a free and open market and a national market system because the purpose of split price priority is to induce

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<sup>5</sup> “See proposed rule 7580(e)(2).”

Floor Participants to bid (offer) at better prices for an order that may require execution at multiple prices (such as large orders), which will result in a better average price for the originating Participant (or its customer).

**23.** P. 67 of the Purpose Section in the 19b-2 and P. 146 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“For example, by having the QOO Order execute when submitted to the BOG, the Exchange is providing an accurate timestamp of when the order was actually executed by the Floor Broker and not just when it is submitted.”

And replace the language with the following:

“For example, by having the QOO Order execute when it is received and process by the Trading Host, the Exchange is providing an accurate timestamp of when the order was actually executed by the Floor Broker and not just when it is submitted.”

**24.** P. 68 of the Purpose Section in the 19b-2 and P. 146 – 147 of the Purpose Section in Exhibit 1, the Exchange proposes to remove the following language:

“Specifically, the Exchange believes that the book sweep functionality will enhance execution efficiency and regulatory oversight on the Trading Floor by making certain that a Floor Broker’s order will first trade with all available Public Customer interest on the BOX Book.”

And replace the language with the following:

“Specifically, the Exchange believes that the book sweep functionality will enhance execution efficiency and regulatory oversight on the Trading Floor by making certain that a Floor Broker’s order will first trade with all available Public Customer interest on the BOX Book and any non-Public Customer interest ranked ahead of such Public Customer interest at the execution price.”

**25.** P. 74 of the Item 8 in the 19b-2, the Exchange propose to remove the following language:

“Proposed Rule 2110 is based on PHLX Rule 60. The Exchange notes that PHLX makes reference to referring disciplinary matters to the Business Conduct Committee, which the Exchange is not including because BOX does not have a Business Conduct Committee. Instead, BOX is proposing to refer certain matters to the Hearing Panel, as provided in Rule 12060.”

26. The Exchange proposes to insert the following paragraph to P. 74 of the Item 8 in the 19b-2 after the last full paragraph:

“Proposed Rule 7550 is based on PHLX Rule 1061. The Exchange notes PHLX Rule 1061 does not give PHLX the discretion to determine if a Floor Broker’s examination will be required as the Exchange is proposing. The Exchange believes that having discretion is reasonable because the passing of the Floor Broker examination on PHLX is not the only requirement of applicants, a Floor Broker can still be denied registration as a Floor Broker on PHLX, even if they pass the Floor Broker examination. Additionally, the Exchange may determine that the requirement for Floor Brokers to pass a Floor Broker examination is not a necessary burden on Floor Brokers due to the fact that Floor Brokers must already be registered as BOX Participants before becoming a Floor Broker which means the Floor Broker must satisfy and comply with additional Exchange Rules. The Exchange notes that, although the Exchange may not require the passing of a Floor Broker’s examination, the Exchange will not arbitrarily disapprove an applicant’s registration as a Floor Broker.”

27. P. 160 – 162 in Exhibit 5, the Exchange proposes to remove in its entirety proposed Rule 2110 (Sanctions for Breach of Regulations on the Trading Floor), including IM-2110-1 and IM-2110-2.

28. P. 162 in Exhibit 5, the Exchange proposes to remove in its entirety proposed Rule 2120 (Order and Decorum on the Trading Floor).

29. P. 169 in Exhibit 5, the Exchange proposes to remove the following language:

“(2) Execution. Orders on the Trading Floor must be two-sided orders, including multi-leg orders up to four (4) legs, and executed through the BOG. All orders on the Trading Floor must be executed pursuant to Rule 7600. When a Floor Broker submits an order for execution through the BOG, the order will be executed based on market conditions and in accordance with Exchange rules. A Floor Broker must announce an order before submitting an order to the BOG for execution. BOG execution functionality will assist the Floor Broker in clearing the BOX Book, consistent with Exchange priority rules, as described in paragraphs (c) and (d) of Rule 7600. Orders on the Trading Floor will not route to an away exchange. Floor Brokers are responsible for handling all orders in accordance with Exchange priority and trade-through rules.”

And replace the language with the following:

“(2) Execution. Orders on the Trading Floor must be two-sided orders, including multi-leg orders up to four (4) legs, and executed through the BOG. All orders on the Trading Floor must be executed pursuant to Rule 7600. When a Floor Broker submits an order for

execution through the BOG, the order will be executed based on the market conditions of when the QOO is received and processed by the Trading Host and in accordance with Exchange rules. A Floor Broker must announce an order before submitting an order to the BOG for execution. BOG execution functionality will assist the Floor Broker in clearing the BOX Book, consistent with Exchange priority rules, as described in paragraphs (c) and (d) of Rule 7600. Orders on the Trading Floor will not route to an away exchange. Floor Brokers are responsible for handling all orders in accordance with Exchange priority and trade-through rules.”

30. P. 171 in the Exhibit 5, the Exchange proposes to remove the following language:

“(d) Allocation. The initiating side of the QOO Order will first execute against any bids or offers that have priority pursuant to paragraph (c) above, provided that an adequate book sweep size pursuant to paragraph (h) was provided by the Floor Broker, and then the remaining balance will be executed through the Trading Host against the contra-side of the QOO Order. The executing Floor Broker will be responsible for ensuring that any Floor Participant that responded with interest during the Market Probe outlined in 7600(b) receives their allocation.”

And replace the language with the following:

“(d) Allocation. The initiating side of the QOO Order will first execute against any bids or offers on the BOX Book that have priority pursuant to paragraph (c) above, provided that an adequate book sweep size was provided by the Floor Broker pursuant to paragraph (h), and then the remaining balance will be matched through the Trading Host against the contra-side of the QOO Order, regardless of whether the contra-side order submitted by the Floor Broker is ultimately entitled to receive an allocation. The executing Floor Broker will be responsible for ensuring that any Floor Participant that responded with interest during the Market Probe outlined in 7600(b) receives their proper allocation. If interest was discovered during the Market Probe, the Floor Broker shall enter the correct allocations into the Exchange’s system where the trade will be recorded.”

31. P. 176 – 177 in the Exhibit 5, the Exchange proposes to remove the following language:

“(f) Priority on Split Price Transactions Occurring in Open Outcry.

(1) Purchase or sale priority. If a Floor Participant purchases (sells) one or more option contracts of a particular series at a particular price or prices, the Floor Participant must, at the next lower (higher) price at which another Floor Participant bids (offers), have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that the Floor Participant purchased (sold) at the higher (lower) price or prices, provided that the Floor Participant’s bid (offer) is made promptly and continuously and that the purchase (sale) so effected represents the opposite side of a

transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). This paragraph only applies to transactions effected on the Trading Floor.

(2) If a Floor Participant purchases (sells) fifty or more option contracts of a particular series at a particular price or prices, he/she shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that he/she purchased (sold) at the higher (lower) price or prices, but only if his/her bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of the transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). The Exchange may increase the "minimum qualifying order size" above 100 contracts for split time priority for all products. Announcements regarding changes to the minimum qualifying order size shall be made via Circular. This paragraph only applies to transactions effected on the Trading Floor.

(3) Two or more Floor Brokers entitled to priority. If the bids or offers of two or more Floor Participants are both entitled to priority in accordance with subparagraphs (1) or (2), it shall be afforded them, insofar as practicable, on an equal basis.

(4) Except for the provisions set forth in subparagraph (2) above, the priority afforded by this rule is effective only insofar as it does not conflict with Public Customer Orders represented in the BOX Book. Such orders have precedence over Floor Participants' orders at a particular price; Public Customer Orders in the BOX Book also have precedence over Floor Participants' orders that are not superior in price by at least one minimum trading increment as defined in Rule 7050.

(5) Floor Participants are able to achieve split price priority in accordance with paragraphs (1) and (2) above. Provided, however, that a Floor Participant who bids (offers) on behalf of a non-Market Maker Participant must ensure that the non-Market Maker Participant qualifies for an exemption from Section 11(a)(1) of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T), otherwise the Floor Participant must yield priority to orders for the accounts of non-Participants.”

32. P. 177 in the Exhibit 5, the Exchange proposes to remove the following language:

“(d) Notwithstanding the priority provisions otherwise applicable under paragraph (b) above, Floor Brokers relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder ("G exemption rule") as an exemption must also yield priority to any equal-priced non-member bids or offers on the BOX Book.”

And replace the language with the following:

(d) Notwithstanding the priority provisions otherwise applicable under paragraph (b) above, Floor Brokers relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-

1(T) thereunder ("G exemption rule") as an exemption must also yield priority to any equal-priced non-Participant bids or offers.

33. P. 179 in the Exhibit 5, the Exchange proposes to remove the following language:

“(c) All rulings rendered by an Options Exchange Official are effective immediately and must be complied with promptly. Failure to promptly comply with an initial Options Exchange Official ruling may result in an additional violation. Failure to promptly comply with other Options Exchange Official rulings issued pursuant to the Exchange’s Order and Decorum Policies (Rule 2120) or violation of any additional Trading Floor policies and not concerning a trading dispute may result in an additional violation.”

And replace the language with the following:

“(c) All rulings rendered by an Options Exchange Official are effective immediately and must be complied with promptly. Failure to promptly comply with an initial Options Exchange Official ruling may result in an additional violation.”

34. P. 179 in the Exhibit 5, the Exchange proposes to remove the following language:

“(d) *Review*. Options Exchange Official rulings issued pursuant to the Order and Decorum Code are reviewable pursuant to IM-2110-1. All other Options Exchange Official rulings are reviewable pursuant to paragraph (e) of this Rule.”

And replace the language with the following:

“(d) [Reserved]”

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