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July 6, 2017

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

Re: SR-BOX-2016-48

Dear Mr. Fields:

The Nasdaq Stock Market LLC (“NOM”), Nasdaq PHLX LLC (“Phlx”), Nasdaq BX, Inc., International Securities Exchange, LLC (“ISE”), ISE Gemini, LLC (“ISE Gemini”), and ISE Mercury, LLC (“ISE Mercury”) options markets (collectively “Nasdaq”) respectfully submit this comment in response to a recent amendment to a proposed rule change filed by the BOX Options Exchange LLC (“BOX”) relating to rules for open-outcry trading.¹

While Nasdaq neither supports nor opposes the BOX proposal, it respectfully submits that, in light of recent substantive amendments by BOX to its rules as proposed in Amendment No. 2, consideration should be given to: (i) real-time surveillance; (ii) trading obligations; and (iii) a potential implementation date should the Commission approve the BOX proposal.

Surveillance

BOX notes in its recent Amendment No. 2 that its surveillance coverage will cover trading from the Trading Floor. Specifically, BOX states, “Additionally, the Exchange will have surveillance coverage in place to monitor issues unique to the Trading Floor.” Nasdaq notes that it is unclear whether BOX will have a real-time surveillance presence on its trading floor in addition to other surveillance coverage. Nasdaq believes, given the nature of open outcry trading, that real-time

¹ See Securities Exchange Act Release No. 80720 (May 18, 2017), 82 FR 23657 (May 23, 2017) (SR-BOX-2016-48) (Notice of Filing of Amendment No. 2 to a Proposed Rule Change To Adopt Rules for an Open-Outcry Trading Floor) (“Amendment No. 2”).

surveillance, which specifically monitors the unique aspects of member floor trading, is a key component of regulation for such a trading model. For example, the negotiation of open outcry trades requires monitoring by surveillance staff on a trading floor. Floor disputes should also be handled by on-site floor personnel. Also, the need for manual intervention in the floor environment requires surveillance staff to be present on the trading floor.

Trading Obligations

BOX's Amendment No. 2 indicates that BOX is removing the continuous electronic quoting obligations for Floor Market Makers from its proposal. Nasdaq notes that with the removal of this requirement for continuous quoting, BOX does not require Floor Market Makers to transact any minimum number of contracts or commit to any amount of liquidity on the trading floor. By contrast, Phlx currently requires its Registered Options Traders who are not streaming quotes to transact 1,000 contracts and effect 300 transactions per quarter.² The Exchange believes that requiring Floor Market Makers to obligate themselves to a minimum amount of liquidity is important to ensure available liquidity on the trading floor.

Implementation Date

In its recent Amendment No. 2, BOX modifies certain proposed rules from its Original Filing.³ Specifically, BOX's Amendment No. 2 requires a Floor Broker to pass an examination as part of the registration process.⁴ Further, BOX proposes an amendment to include the requirement of the presence of a Floor Market Maker when a Floor Broker announces an order.⁵ Finally, BOX proposes to adopt a rule which codifies that each Floor Broker, Floor Market Maker and registered representative on the Exchange Trading Floor must be registered and must successfully complete the appropriate floor trading examination(s), if prescribed by the Exchange, in addition to requirements imposed by other Exchange Rules.⁶

In light of these proposed amendments, Nasdaq notes that market participants must register, and take examinations in order to participate on BOX's proposed trading floor. In addition, connectivity testing and other on-site capability would need to be in place for a market participant to be ready to participate in this new floor environment. These prerequisites would be necessary to commence trading on BOX's proposed trading floor. Commencing trading with a populated trading floor is important for price competition to exist on a trading floor. Nasdaq notes that liquidity provided by market makers is a key ingredient to ensuring a competitive trading floor. Market maker liquidity benefits all market participants by providing more trading opportunities. In

² See Phlx Rule 1014 at Commentary .01.

³ See Securities Exchange Act Release No. 79421 (November 29, 2016), 81 FR 87607 (December 5, 2016)(SR-BOX-2016-48) ("Original Filing").

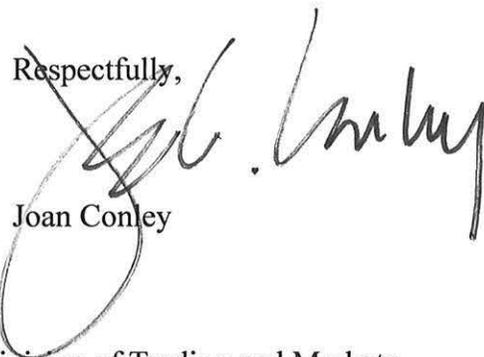
⁴ See proposed BOX Rules 2020(h) and 7550. In the Original Filing, BOX proposed to make Floor Broker examinations discretionary.

⁵ See proposed BOX Rule 7580(a).

⁶ See proposed BOX Rule 2020(h).

light of the various prerequisites to participate on the trading floor and necessity for liquidity as provided by Floor Market Makers, BOX should be required to demonstrate that ample participants, particularly Floor Maker Makers, are ready and able to participate to provide a reasonable pool of liquidity on this new market prior to commencing floor trading, if approved.

Nasdaq thanks the Commission for the opportunity to comment on this proposed rule filing. If you have any additional questions, or if we can be of further assistance in this matter, please do not hesitate to contact us.

Respectfully,

Joan Conley

cc: David Shillman, Associate Director, SEC Division of Trading and Markets
John Roeser, Associate Director, SEC Division of Trading and Markets
Tyler Raimo, SEC Division of Trading and Markets