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July 14, 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 (“BOX” or “Exchange”) is proposing to adopt rules for an open-outcry trading floor. The proposed rule change was filed on November 16, 2016, which was published in the Federal Register (the “Original Filing”) by the Securities Exchange Commission (“SEC” or “Commission”).¹ The Exchange filed an amendment to the Original Filing on February 21, 2017 (“Amendment 1”), which was published in the Federal Register along with the Order Instituting Proceedings.²

The Exchange filed a second amendment (“Amendment 2”) that amended and replaced the entire Original Filing on May 18, 2017. Amendment 2 was published for comment by the SEC with comments being due by June 13, 2017.³ More than three weeks after the June 13th deadline, Nasdaq and CTC Trading Group, LLC (“Commenters”) submitted additional comment letters.⁴ These letters recycle previous questions raised by the Commenters that the Exchange has addressed in previous response letters and amendments to the Original Filing. The Exchange questions the validity of the comments raised by Commenters in the latest comment letters given the untimeliness of their submission. It seems more likely that Commenters are attempting to further delay the implementation of the Exchange’s trading floor. Nevertheless, the Exchange will respond to the comments.

¹ See Securities Exchange Act Release No. 79421 (November 29, 2017), 81 FR 87607 (December 5, 2017)(SR- BOX-2016-48).

² See Securities Exchange Act Release No. 80134 (March 1, 2017), 82 FR 12864 (March 7, 2017)(Order Instituting Proceedings).

³ See Securities Exchange Act Release No. 80720 (May 18, 2017), 82 FR 23657 (May 23, 2017)(Amendment 2 to SR-BOX-2016-48).

⁴ Letter from Joan C. Conley, SVP and Corporate Secretary, Nasdaq (July 6, 2017)(“Nasdaq Letter”), and Letter from Steve Crutchfield, Head of Market Structure, CTC Trading Group, LLC (July 10, 2016)(“CTC Letter”).



Surveillance

A Commenter seeks clarity on whether BOX will have a real-time surveillance presence on the trading floor in addition to other surveillance coverage.⁵ To be clear, the Exchange's trading floor will be physically staffed by Options Exchange Officials that have already been hired and trained by the Exchange. The physical presence of these Options Exchange Officials on the trading floor is unambiguous in the proposed rules. Specifically, proposed Rule 7600(b) provides that an Options Exchange Official will certify that a Floor Broker adequately announced the QOO Order to the trading crowd. Certification is only possible with the physical presence of Options Exchange Officials that observe the open-outcry of an order.

Additionally, all orders from the trading floor are processed by the Trading Host. As such, the Exchange will electronically monitor all orders from the trading floor in the same manner as all other electronic orders on BOX. The Exchange has been regulating a well-functioning market for over five years and will continue to employ the same surveillance regimen to orders from the trading floor.

Trading Obligations

A Commenter asserts that Floor Market Makers should be obligated to provide a minimum amount of liquidity on the trading floor.⁶ The Exchange believes that this request is inappropriate, as the other options exchanges with physical trading floors, other than Nasdaq PHLX LLC ("PHLX"), do not have this requirement.⁷ Therefore, the Exchange does not believe that a minimum liquidity provision on the Exchange's trading floor is necessary to comply with the Securities Exchange Act of 1934, as amended (the "Act").

Implementation Date

A Commenter claims that the Exchange should be required to demonstrate ample participants, particularly Floor Market Makers, are ready and able to participate on the trading floor.⁸ The Exchange will launch trading operations on the trading floor once the requisite number, as provided in the proposed rules, of Floor Market Makers and Floor Brokers are registered and able to participate on the trading floor.

⁵ Nasdaq Letter at 1.

⁶ Nasdaq Letter at 2.

⁷ CBOE, NYSE Arca and NYSE MKT do not have this requirement.

⁸ Nasdaq Letter at 2.



Market Quality and Policy Concerns

A Commenter complains that the Exchange's proposal will be detrimental to market quality.⁹ Additionally, the Commenter claims that approval of the proposal will lead to copycat filings from other SROs, potentially exasperating any market quality concerns.¹⁰ The Exchange believes that a new trading floor will be good for the markets by providing increased competition which may lead to improvements. A review of the role of trading floors in general as an aspect of the U.S. capital markets is beyond the scope of this filing. The SEC must determine whether the proposal set forth by the Exchange satisfies the requirements of the Act, which the Exchange asserts it does.

Book Sweep Size

A Commenter continues to erroneously claim that the proposed book sweep size feature is detrimental to investor protection and would unfairly discriminate against resting orders on the BOX Book.¹¹ To the contrary, as stated in the previous response letters of the Exchange,¹² the book sweep size is a tool that will benefit Floor Brokers in fulfilling their duties and responsibilities to their customers, including best execution. Further, as the Exchange has previously noted, the book sweep size is not a novel feature as similar functionality is available on at least one other options exchange with a physical trading floor.¹³ The Exchange continues to believe that the proposed book sweep size will be extremely beneficial to Participants both on and off the Trading Floor and is entirely consistent with the Act.

Data Request

A Commenter requests that the Exchange provide predictive data in advance of the opening of the trading floor.¹⁴ It is unclear how the Exchange would have the ability to provide such data. The Exchange made commitments to provide data reports to the SEC in Amendment 2. Specifically, the Exchange will provide information regarding size, participation, price improvement by spread and trade type, effective spread, Floor Market Maker participation, and BOX Book participation. BOX believes the proposed data reporting is entirely consistent with the Act and will show a well-functioning trading floor.

⁹ CTC Letter at 1.

¹⁰ CTC Letter at 2.

¹¹ CTC Letter at 3.

¹² Letters from Lisa J. Fall, President, BOX on February 21, 2017 and May 25, 2017.

¹³ See PHLX's Floor Broker Management System ("FBMS").

¹⁴ CTC Letter at 4.



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Conclusion

The Exchange believes that Commenters do not raise any new concerns from previous comment letters to which the Exchange has responded. The Exchange believes the Commenters are attempting to unreasonably delay the launch of a new trading floor in an attempt to limit competition. The Exchange strongly believes that an increase in competition will lead to improvements in the market to the benefit of all market participants. As such, BOX continues to believe that approval of the proposed Trading Floor is proper and consistent with the Act.

Sincerely,

Lisa J. Fall
President
BOX Options