

June 28, 2021

Vanessa Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: Release No. 34-92017; File No. SR-BOX-2021-06

Dear Ms. Countryman,

IMC Chicago, LLC d/b/a IMC Financial Markets and Susquehanna International Group, LLP appreciate the opportunity to submit comments to the Securities & Exchange Commission (“Commission”) regarding the proposal by BOX Exchange LLC (“Exchange” or “BOX”) to adopt rules governing the trading of equity securities through a facility of the exchange known as Boston Security Token Exchange (the “Proposal”). As described more fully below, absent confirmation that access is offered on an equal and non-discriminatory basis, we urge the Commission to disapprove the Proposal.

Background

IMC Chicago, LLC (“IMC”) is part of a global firm with approximately 875 employees worldwide and affiliates trading in Chicago, Amsterdam and Sydney. IMC operates as a proprietary trading firm and registered broker-dealer, engaging in the U.S. financial markets as a bona-fide market maker and providing liquidity on nearly every listed equities and derivatives market in the United States. IMC is a Lead Market Maker in over 500 option classes and over 150 ETFs.

The affiliated companies of Susquehanna International Group, LLP (“SIG”) have operated as registered traders and brokers in the U.S. listed equities and options markets for over 30 years.

The BOX Proposal

BOX proposes to adopt rules governing the trading of equity securities through a facility of the Exchange known as Boston Security Token Exchange LLC (“BSTX”). According to the Proposal, BSTX would operate a fully automated, price-time priority execution system for the trading of “Securities,” which would be equity securities that meet BSTX listing standards and for which certain information regarding orders and executions on BSTX would be recorded and disseminated on a proprietary market data feed that BSTX operates using a proprietary blockchain system (“BSTX Market Data Blockchain”). Specifically, per the filing, proposed Rule 25080 governs the execution of orders on the BSTX System, providing a price-time priority model. Accordingly, all orders of BSTX Participants shall be ranked and maintained in the BSTX Book according to price-

time priority, such that within each price level, all orders shall be organized by the time of entry. The Exchange notes that it believes that proposed Rule 25080 “is consistent with Section 6(b)(5) of the Exchange Act because it is designed to promote just and equitable principles of trade...by setting forth the order execution priority scheme for Security transactions.” Box further notes that the Proposal “does not permit unfair discrimination among BSTX Participants because all BSTX Participants are subject to the same price-time priority structure.” Finally, BOX notes that its proposed regulation of BSTX, including its price-time priority model “will all operate in a manner substantially similar to existing equities exchanges. In this way, BOX asserts that “BSTX provides a robust regulatory structure that protects investors and the public interest while introducing the use of blockchain technology as an additional feature in connection with Securities traded on the Exchange.” We disagree.

Material Concerns Regarding Fair Market Access

Unfortunately, the Proposal does not specifically address how participants shall access BSTX. Based on our observations regarding how participants currently access BOX and its facility BOX Options Market LLC (“BOX Options”), we are concerned that the apparent fairness of its proposed price-time priority model for BSTX will be materially undermined by a co-location offering that fails to establish a level playing field. For comparison purposes, we note that BOX Options does not currently enforce equidistant cabling among and between BOX Options participants and its matching engine located in the same datacenter. Unlike most (if not all) other equities and equity options exchanges, where measures are taken (e.g. equidistant cabling) to ensure that all co-located participants are on a level playing field in terms of connecting to an exchange’s matching engine, BOX enforces no such rules or structure. Instead, a participant that manages to identify and procure the datacenter space closest to BOX, by virtue of proximity, will always enjoy the shortest path to the exchange—a material burden to all other participants. Absent confirmation that BOX will ensure that all co-location participants will enjoy the same opportunity for order execution regardless of their location in the data center relative to the BSTX matching engine, it raises a concern of unfair discrimination and inappropriate burdens on competition under the Securities Exchange Act of 1934 (the “Exchange Act”).

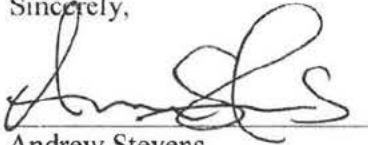
In other words, absent a level playing field offered and enforced by the Exchange for purposes of reaching their facility, BSTX, competition on the market is replaced by a race for space in the datacenter. Participants who find themselves furthest away from the Exchange’s matching engine (or even just a bit further away from the participant closest to the Exchange’s matching engine) are left fundamentally unable to compete—to the detriment of all investors. We observe this unduly burdensome impact daily at BOX Options, where that platform’s market share is primarily executed by participant(s) who enjoy the benefits of proximity advantage, with attendant repercussions throughout the market ecosystem.

Indeed, we believe it is appropriate to question whether an exchange can use its direct and indirect control over a data center and access to its matching engine to provide a material latency advantage to a limited number of participants. As has been noted in similar contexts, in an era defined by a market structure that places a premium on the speed of receiving and acting upon market data, permitting an exchange to operate or offer access to its facilities on such an exclusive and materially advantaged basis seems counter to Sections 6(b)(8) and 6(b)(5) of the Exchange Act.

Conclusion

For the foregoing reasons, absent confirmation that access to BSTX will be offered on an equal and non-discriminatory basis, IMC and SIG urge the Commission to disapprove the Proposal. Should you have any questions in connection with our comments, please feel free to contact Andrew Stevens at [REDACTED] or Richard McDonald, Compliance Coordinator, [REDACTED].

Sincerely,



Andrew Stevens
General Counsel, IMC

Richard McDonald - DH
Richard McDonald
Compliance Coordinator, SIG