



July 23, 2021

**Via Electronic Mail**

Ms. Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, D.C. 20549-1090

Re: File No. SR-BOX-2021-07

Dear Ms. Countryman,

BOX Exchange LLC filed the attached Amendment No. 1 to the above-referenced filing on July 20, 2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Alanna Barton".

Alanna Barton  
General Counsel  
BOX Exchange LLC

Encl. (Amendment No. 1 to SR-BOX-2021-07)

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 53 SECURITIES AND EXCHANGE COMMISSION File No.\* SR - 2021 - \* 07  
WASHINGTON, D.C. 20549  
Form 19b-4 Amendment No. (req. for Amendments \*) 1

Filing by BOX Exchange LLC.  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<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)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**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 \* Alanna Last Name \* Barton

Title \* General Counsel

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 07/20/2021 General Counsel

By Alanna Barton [REDACTED]

(Name \*)

Alanna Barton,

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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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 Sent As Paper Document

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

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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 Sent As Paper Document

**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.

Item 1. Text of Proposed Rule Change

a) BOX Exchange LLC (the “Exchange”) proposes to establish BOX Rule 7670 (Virtual Trading Floor). This Amendment No. 1 replaces and supersedes SR-BOX-2021-07<sup>1</sup> in its entirety. The text of the proposed rule change is attached as Exhibit 5.

b) Not applicable to application of any other Exchange rule.

c) Not applicable.

Item 2. The Procedures of the Self-Regulatory Organization

The proposed rule change was approved by officers of the Exchange pursuant to authority delegated by the Exchange Board of Directors (“Board”). No further action is necessary for the filing of the proposed rule change.

Questions regarding this rule filing may be directed to Alanna Barton, General Counsel for the Exchange, at (617) 235-2239.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a) Purpose

The Exchange proposes to establish BOX Rule 7670 to adopt a Virtual Trading Floor on BOX. This is a competitive filing that is based on a proposal submitted by Cboe Exchange, Inc. (“Cboe”) and approved by the Commission.<sup>2</sup>

On March 20, 2020, as a precautionary measure to prevent the potential spread of coronavirus (COVID-19), BOX closed the physical Trading Floor located in Chicago, Illinois for an indefinite period of time. As a result of the closure of the physical Trading

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<sup>1</sup> See Securities Exchange Act Release No. 91714 (April 29, 2021), 86 FR 24119 (May 5, 2021)(SR-BOX-2021-07).

<sup>2</sup> See Securities Exchange Act Release No. 90658 (December 14, 2020), 85 FR 82560 (December 18, 2020) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of SR-CBOE-2020-055). See also Securities Exchange Act Release No. 91299 (March 11, 2021), 86 FR 14661 (March 17, 2021)(Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

Floor, BOX operated in an electronic only trading mode. The Exchange continued to operate in an all-electronic environment until May 4, 2020, when the Exchange reopened its physical Trading Floor with continued safety guidelines, policies and procedures in place. However, given the uncertainty related to the ongoing pandemic, which includes the possibility of the Exchange having to close its physical Trading Floor again, and given the possibility that the Exchange's physical Trading Floor may be inoperable for other reasons in the future, the Exchange believes it is appropriate to continue to review and enhance its rules with regard to its business continuity plans. While BOX continued to operate in an all-electronic environment while the physical Trading Floor was closed, an all-electronic trading environment cannot fully replicate open outcry trading.

Therefore, the Exchange continues to evaluate potential enhancements that it believes would permit open outcry trading in the event the physical Trading Floor is inoperable to more closely replicate its trading environment that exists during normal operations.

There are certain features of open outcry trading that are difficult to replicate in an electronic trading environment, particularly the human interaction that permits persons to negotiate pricing and to facilitate executions of larger orders and high-risk complicated strategies. For example, from January 2, 2020 through March 21, 2020 (the last day on which the Trading Floor was open), Complex Orders for options with more than four legs represented approximately 11.3% of the total complex order average daily volume ("ADV") during that timeframe. However, from March 22, 2020 (the first day on which the physical Trading Floor was closed) through May 1, 2020 (the last day before the physical Trading Floor reopened), Participants executed zero complex orders for options with more than four legs.<sup>3</sup> This data, taken into consideration with feedback from Participants, demonstrates the

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<sup>3</sup> The Exchange notes that from May 2, 2020 through July 31, 2020, Complex Orders for options with more

difficulty market participants have with executing high-risk and complex strategies in an all-electronic trading environment that does not allow for human interaction.

The Exchange believes the proposed rule change would further enhance the Exchange's trading environment when the physical Trading Floor is inoperable by permitting market participants that generally operate on the physical Trading Floor to continue to interact in a substantially similar manner as they do on the physical Trading Floor. Specifically, the Exchange proposes to adopt Rule 7670(a) which details the Loss of Trading Floor. If the Exchange Trading Floor becomes inoperable and the Exchange does not make a Virtual Trading Floor available, the Exchange will continue to operate in an electronic only environment while the Trading Floor is inoperable. Open outcry trading will not be available in the event the Trading Floor becomes inoperable except as otherwise set forth in Rule 7670 discussed herein. The Exchange reiterates that the proposed Virtual Trading Floor will only be activated if the physical Trading Floor becomes inoperable. Further, the Exchange has the discretion to not activate the Virtual Trading Floor if the physical Trading Floor becomes inoperable. In making the determination to move to an all-electronic environment, the Exchange will evaluate the factor or factors that caused the physical Trading Floor to become inoperable to determine if it warrants activating the Virtual Trading Floor. Such factors, may include, but are not limited to, the anticipated duration, cause, and nature of the condition, burden on Floor Participants, and whether the condition that caused the inoperability of the physical Trading Floor is affecting the Exchange's operations broadly in a way that makes operating the Virtual Trading Floor difficult or impossible.

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than four legs represented approximately 6.9% of the total Complex Order ADV during that timeframe. The Exchange believes that this trading activity further demonstrates the need to execute certain high-risk and complex strategies with the assistance of human interaction and price negotiation that a Trading Floor best facilitates. The Exchange believes that the proposed Virtual Trading Floor will be an identical venue to that of the physical Trading Floor with respect to these types of trades.

The Exchange proposes to adopt Rule 7670(a)(1) which will allow the Exchange to make available an audio and video communication program to serve as a “Virtual Trading Floor” during regular trading hours. In the program, the Exchange will create a “Virtual Trading Pit.” In the Virtual Trading Pit, each Participant authorized to access the Virtual Trading Floor (as described below) that enters the Virtual Trading Pit will be visible to all other Participants in the Virtual Trading Pit. Additionally, all Participants in the Virtual Trading Pit may speak to each other through the program. This will allow the same communication capabilities Participants generally have on the physical Trading Floor so that they may conduct open outcry trading on the Virtual Trading Floor in the same manner as they do on the physical Trading Floor.

All rules related to open outcry trading will apply to open outcry trading on the Virtual Trading Floor in the same manner as they currently apply to open outcry trading on the physical Trading Floor. In addition, proposed subparagraphs (a)(1)(A)-(G) will apply to trading on the Virtual Trading Floor.

Proposed subparagraph (a)(1)(A) lists certain terms in the rules related to open outcry trading on the physical Trading Floor that will be deemed to refer to corresponding terms related to open outcry trading on the Virtual Trading Floor.

Specifically:

- (i) References in the Rules to the “Floor,” “Trading Floor,” and “Exchange Floor” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Floor.”
- (ii) References in the Rules to “Pit” and “Crowd Area” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Pit” or “Virtual Trading Crowd.”

(iii) The term “In-crowd Floor Participant” means a Floor Market Maker or a Floor Broker representing an order in the Virtual Trading Pit on the Virtual Trading Floor.

Access to the Virtual Trading Floor will be substantially similar to access to the physical Trading Floor. Currently, admission to the physical Trading Floor is limited to Floor Participants, Exchange employees, Clerks employed by Floor Participants and registered with the Exchange, Exchange visitors that receive authorized admission to the Trading Floor pursuant to Exchange policy, and any other persons that the Exchange authorizes admission to the Trading Floor. Proposed Rule 7670(a)(1)(B) provides the same persons with access to the Virtual Trading Floor, except for visitors. While Clerks may access the Virtual Trading Floor, they may only perform the same functions for their associated organizations in connection with open outcry trading on the Virtual Trading Floor as they do for open outcry trading on the physical Trading Floor. The Exchange understands permitting Clerks to access the Virtual Trading Floor will provide them with access to the information that they normally have access to on the physical Trading Floor, which will make it more efficient for them to perform their tasks. Clerks will continue to be unable to enter into transactions on the Exchange. Additionally, as there is no physical equipment that would need service on the Virtual Trading Floor, and no purpose for a visitor to observe the Virtual Trading Floor, the proposed rule change excludes visitors from accessing the Virtual Trading Floor.<sup>4</sup>

As is the case with the physical Trading Floor, the Exchange will provide access to the Virtual Trading Floor to Participants the Exchange has approved to perform a

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<sup>4</sup> While the Exchange does not anticipate granting any other individuals with access to the Virtual Trading Floor outside of Participants and Exchange personnel, the Exchange believes the flexibility to permit Exchange personnel to access the Virtual Trading Floor is appropriate, such as to permit access to make updates to the communication program.



Trading Floor function (including Floor Brokers and Floor Market Makers). This includes Participants (and individuals that represent Participant organizations) that are currently authorized to perform Trading Floor functions, as well as any additional Participants that receive such authorization in the future. Each authorized individual will receive one log-in to the Virtual Trading Floor. The Exchange currently requires at least one Market Maker to be present on the physical Trading Floor (prior to a Floor Broker announcing an order for execution)<sup>5</sup> and believes it is necessary and appropriate to impose such requirement for the Virtual Trading Floor.<sup>6</sup> Further, the Exchange notes that it will track which individuals participate on the Virtual Trading Floor, including when they log-in and log-out.

Under this proposal, Floor Participants are not required to display badges on the Virtual Trading Floor, as the size of the view on the communication program may not permit badges to be visible.<sup>7</sup> Currently, on the physical Trading Floor, a Floor Market Maker has an appointment to trade open outcry in all classes trading on the Exchange (and must be physically present in the Crowd Area to trade in open outcry). Similarly, any Floor Market Maker authorized to act on the physical Trading Floor will receive access to the Virtual Trading Pit on the Virtual Trading Floor and will have an appointment to trade all classes on the Exchange.

As set forth in Rule 7660, and subject to the requirements in that Rule, Floor Participants may use any communication device on the physical Trading Floor (which it must register with the Exchange). Pursuant to proposed Rule 7670(a)(1)(C), Participants

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<sup>5</sup> See BOX Rule 7580(a).

<sup>6</sup> The Exchange notes that another options exchange with a Virtual Trading Floor has a similar requirement. See Securities Exchange Release Act No. 91299 (March 11, 2021), 86 FR 14661 (March 17, 2021)(Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

<sup>7</sup> The Virtual Trading Floor program will identify the Participant organization of each Participant in the Virtual Trading Pit.

may use any equipment to access the Virtual Trading Floor. Prior to using a communications device for business purposes on the physical Trading Floor of the Exchange, Participants must register the communications device by identifying (in a form and manner prescribed by the Exchange) the hardware. Because individuals on the Virtual Trading Floor will not be on the Exchange premises (and thus will not be using Exchange provided bandwidth to be shared with all market participants and do not pose the same security risks), the proposed rule change will not require Participants to register devices they use while on the Virtual Trading Floor.<sup>8</sup> Rule 7660 will otherwise apply in the same manner to the Virtual Trading Floor as it does to the physical Trading Floor (to the extent the context requires). This includes requirements related to audit trail and record retention, prohibition on using any device for the purpose of recording activities in the Virtual Trading Pit or maintaining an open line of continuous communication whereby a non-associated person not located in the Virtual Trading Crowd may continuously monitor the activities in the Virtual Trading Crowd.

The Exchange will use a communication program that has audio and video capabilities, as well as “chat” functionality. Proposed Rule 7670(a)(1)(D) states that the Exchange may determine to require any Floor Market Maker or Floor Broker in the Virtual Trading Pit that wants to trade against an order represented for execution to express its bid or offer in a chat available in the Virtual Trading Pit.<sup>9</sup> The Exchange

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<sup>8</sup> The Exchange notes that Floor Participants will be required to inform the Exchange of the IP address that will be used to access the Virtual Trading Floor. Market participants will likely use home networks to connect to the Virtual Trading Floor platform (which is contained in the BOX trading environment). By requiring the submission of IP addresses to BOX, the Exchange is able to create a secure network available only to approved IP addresses. This, in turn, denies any outside (and not previously approved) connections from entering the Virtual Trading Floor and, thus secures the virtual trading environment to only those Participants approved by the Exchange. Further, the Exchange believes that requiring the submission of IP addresses connected to the Virtual Trading Floor is appropriate and will be of assistance to BOX employees if market participants experience any connection issues when trying to use the Virtual Trading Floor platform.

<sup>9</sup> Before activating the Virtual Trading Floor, the Exchange will announce to all Participants via Regulatory

would require Participants to utilize the chat function if BOX Trading Floor Officials determine that increased volume or activity in the Virtual Trading Crowd warrant mandatory use of the chat feature for Participants to maintain a fair and orderly market.<sup>10</sup> Chats will be visible to all Participants in the Virtual Trading Pit and will not be permitted directly between individual Participants (i.e. the Exchange will disable direct messaging functionality within the communication program). Participants on the physical Trading Floor only verbalize their interest to trade against a represented order, so not requiring bids and offers to be included in a chat conforms to current practice on the physical Trading Floor. However, given potential limitations of communication software (such as limitations on how many people may be heard at the same time in the Virtual Trading Pit or potential buffering or echoing), the Exchange believes it may be appropriate to require market participants to use a chat tool in the communication program to indicate their interest in participating in a trade so that the representing Floor Broker is able to know the market from the Virtual Trading Crowd and fairly allocate the trade pursuant to the Rules. The Exchange believes the flexibility to impose this requirement in the Virtual Trading Pit is appropriate, as these limitations may ultimately not interfere with a Floor Broker's ability to hear all interest (particularly in a Virtual Trading Pit with few Participants) and thus the additional requirement may potentially slow down executions. The Exchange notes that, regardless of whether it requires the chat function to be used, the Exchange will maintain records of all chats on the Virtual

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Circular that Trading Floor Officials have, in their discretion, the ability to require bids and offers to be expressed in a chat within the communication program. The Exchange will provide such notice with sufficient advance notice.

<sup>10</sup> The Exchange notes that another exchange with a Virtual Trading Floor has a similar requirement. See Securities Exchange Release Act No. 91299 (March 11, 2021), 86 FR 14661 (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

Trading Floor in accordance with its self-regulatory organization record-retention obligations.<sup>11</sup>

The program also has a functionality that will permit Floor Brokers and Floor Market Makers on the Virtual Trading Floor to see an electronic blotter containing a running list of unexecuted orders that have been represented by Floor Brokers on the Virtual Trading Floor. The Exchange notes that Floor Brokers will be required to enter their orders into the electronic blotter at the same time they open outcry the order to the Virtual Trading Crowd.<sup>12</sup> Currently, Floor Brokers, prior to the announcement of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the Floor Broker's proprietary order entry mechanism. The Floor Broker then verbally announces the order to the trading crowd before submitting the order to the BOX Trading Host for execution. This information is generally only verbally available on the physical Trading Floor. However, similar to why the Exchange is making chat functionality available on the Virtual Trading Floor, the Exchange believes the additional information included in the blotter will benefit Virtual Trading Floor Participants given potential limitations of communication software (such as limitations on how many people may be heard at the same time in the Virtual Trading Pit or potential buffering or echoing). For example, if a Floor Market Maker's personal device momentarily freezes, causing the Floor Market Maker to miss the terms of an order represented verbally by a Floor Broker, the Floor Market Maker will still be able to see the terms of the order in the blotter and determine whether it wants to seek to trade with the order.

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<sup>11</sup> The Exchange notes that the chat functionality will be available to Virtual Trading Floor Participants at all times.

<sup>12</sup> See Proposed Rule 7670(a)(1)(E).

Further, pursuant to proposed Rule 7670(a)(1)(F), Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Floor and the parties have a Meeting of the Minds with respect to the terms of the transaction. A “Meeting of the Minds” means the contra-side(s) verbally confirmed participation in the trade. In the event that a Floor Market Maker is disconnected from the Virtual Trading Crowd, a Floor Market Maker quote would not be considered firm if the quote were provided and the parties did not have a Meeting of the Minds with respect to the terms of the transaction.

Today, a Floor Market Maker that experiences issues with internet connection, makes an error or otherwise is unaware of recent news in a particular option, would be held to a quote verbalized in open outcry. In the event that the negotiation continues and the terms change, the Floor Market Maker would not be held to the new terms without additional acceptance of those terms. In the event that the transaction is not effectuated in the BOX Trading Host, the trade would not stand. To that end, the Exchange believes requiring quotes to remain firm once the parties have arrived at a Meeting of the Minds with respect to the terms of the transaction creates fair and equitable expectations for Participants trading in the Virtual Trading Crowd.

The Exchange notes that, regardless of whether it requires the chat function to be used, the Exchange will maintain records of all chats on the Virtual Trading Floor<sup>13</sup> in accordance with its self-regulatory organization record retention obligations, as these are "correspondence" records subject to those obligations, as set forth in proposed subparagraph (a)(1)(G).<sup>14</sup> Specifically, proposed 7670(a)(1)(G) states the Exchange will

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<sup>13</sup> The Exchange notes the information that will be displayed in the blotter is already retained as part of the BOX order audit trail.

<sup>14</sup> See 15 U.S.C. 78q(a).

retain records of the chats, Participant logs, electronic blotter, and any other records related to the Virtual Trading Floor that are subject to the Exchange's record retention obligations under the Exchange Act. The Exchange does not currently plan to record sessions of the Virtual Trading Floor.<sup>15</sup> However, if the Exchange determines to record these sessions, it would retain those video recordings in accordance with its record retention obligations.<sup>16</sup>

Floor Officials will have access to the Virtual Trading Floor. Floor Officials will have the same authority to act on the Virtual Trading Floor as they do on the physical Trading Floor. Additionally, a BOX employee will be available to provide technical and operational support (in addition to regular Exchange support staff for floor operations) if Participants on the Virtual Trading Floor need assistance. If there was an issue with the communication program making the Virtual Trading Floor unavailable, the Exchange would operate in an all-electronic environment (as it did earlier in 2020 when the physical Trading Floor was unavailable) until the communication program was available again.

While open outcry trading on the Virtual Trading Floor will occur with in-crowd market participants interacting with each other remotely through a communication program, all trading that occurs on the Virtual Trading Floor will occur in the same manner as it does on the physical Trading Floor. Specifically, open outcry trading on the Virtual Trading Floor will be subject to the same priority and allocation rules as open outcry trading on the physical Trading Floor, as set forth in Rule 7600. Any risk controls and price protection mechanisms that apply to open outcry trading on the physical

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<sup>15</sup> The Exchange does not believe recording video and audio of a session on the Virtual Trading Floor is required under the BOX Rules or the Exchange Act.

<sup>16</sup> Id. The Exchange notes it will disable the ability of Participants to record the Virtual Trading Floor through the communication program. The Exchange further notes that Floor Participants are not allowed to record any activities on the Trading Floor under BOX Rule 7660(i).

Trading Floor will apply in the same manner to open outcry trading on the Virtual Trading Floor. The Exchange will require the same order type and systemization requirements available on the Virtual Trading Floor as it makes available on the physical Trading Floor. Floor Brokers will continue to be subject to the responsibilities set forth in Rules 7570 and 7580 on the Virtual Trading Floor, as they are on the physical Trading Floor.

In addition, market participants participating on the Virtual Trading Floor will be subject to the same regulatory requirements on the Virtual Trading Floor as they are on the physical Trading Floor, including those set forth in Rule Series 3000 and 4000. Orders must be systematized<sup>17</sup> and represented,<sup>18</sup> and transactions reported, in connection with the Virtual Trading Floor in the same manner as they are when trading on the physical Trading Floor. Therefore, the audit trail for open outcry trading on the Virtual Trading Floor will capture the same information that it does for open outcry trading on the physical Trading Floor. The Regulatory Division will be able to utilize preexisting Trading Floor surveillances to surveil for the activity occurring on the Virtual Trading Floor. Specifically, the Regulatory Division monitors open outcry trading using various automated surveillances, which incorporate systematized order and trade execution information and applicable time stamps, as well as other elements of the audit trail from the Floor Broker's order entry system(s) and the BOX matching engine. Because Floor Brokers will use the same tools to systematize and execute orders on the Virtual Trading Floor that they would use on the physical Trading Floor, and will be subject to the same trading rules and requirements, the Regulatory Staff's automated surveillances applicable to open outcry trading will incorporate the same audit trail information from open outcry

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<sup>17</sup> See Rule 7580(e)(1).

<sup>18</sup> See Rule 7580(e)(2).

trading on the Virtual Trading Floor that they do from open outcry trading on the physical Trading Floor. Additionally, Regulatory Staff will always be present on the Virtual Trading Floor and may access any records pertaining to the Virtual Trading Floor (i.e. chats) if they deem it necessary and appropriate to ensure compliance with BOX Rules.

Lastly, the Exchange notes that it has conducted meetings with Floor Participants in which the Exchange presented the functionality of the Virtual Trading Floor and has made the Virtual Trading Floor available for testing so that the Exchange will be ready to implement it if necessary. The Exchange has received positive feedback from Floor Participants regarding the Virtual Trading Floor and will continue to make updates as necessary and appropriate in response to comments it receives to make the Virtual Trading Floor replicate the open outcry trading experience on the physical Trading Floor as much as possible. The Exchange believes this will provide the opportunity for as seamless a rollout as possible if circumstances cause the Exchange to make the Virtual Trading Floor available.

b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>19</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>20</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national

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<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).



market system, and, in general to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>21</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, as it will permit open outcry trading to continue in the event the Exchange's physical Trading Floor becomes inoperable. The Exchange again notes that the proposed Virtual Trading Floor will only be activated if the physical Trading Floor becomes inoperable. Further, the Exchange has the discretion to not activate the Virtual Trading Floor if the physical Trading Floor becomes inoperable. The Exchange believes that these factors, taken together, limit the scope of this proposal to extenuating circumstances that the Exchange hopes to avoid. While the Exchange continues to believe that the physical Trading Floor is an essential function to BOX Market and hopes the physical Trading Floor does not become inoperable or require any closures in the future, the Exchange also believes it is appropriate to continue to review and enhance its rules with regard to its business continuity plans if the physical Trading Floor were to become inoperable. As such, the Exchange believes the adoption of a Virtual Trading Floor, which emulates the physical Trading Floor, is reasonable and appropriate given the circumstances the world faces today.

As discussed above, there are certain features of open outcry trading that are difficult to replicate in an all-electronic trading environment. The Exchange has

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<sup>21</sup> Id.

observed, and understands from various market participants, that they have had difficulty executing certain orders, such as larger orders and high-risk and complicated strategies, in an all-electronic trading environment without the element of human interaction to negotiate pricing for these orders. The proposed rule change would provide an environment in which this interaction would be available despite the inoperability of the physical Trading Floor. The Exchange believes the proposed rule change may facilitate continued trading of these orders if the physical Trading Floor becomes inoperable. As a result, the Exchange believes providing continuous access to open outcry trading if the physical Trading Floor is inoperable will remove impediments to a free and open market and will ultimately benefit investors, particularly those desiring to execute high-risk and complex trading strategies.

The Exchange also believes the proposed rule change will promote just and equitable principles of trade, as open outcry trading on a Virtual Trading Floor would occur in accordance with the same trading rules and be subject to the same regulatory requirements that apply to open outcry trading on the physical Trading Floor, all of which have previously been filed with the Commission. The proposed rule change will merely permit this open outcry trading to occur in a virtual setting rather than a physical setting (which may be necessary and appropriate for health and safety purposes) – in other words, open outcry trading on the Virtual Trading Floor would occur while market participants operate remotely as they do when they trade electronically. Specifically, open outcry trading on the Virtual Trading Floor would be subject to the same priority and allocation rules as open outcry trading on the physical Trading Floor, as set forth in Rule 7600 series. As is the case for open outcry trading on the physical Trading Floor, open outcry trading on the Virtual Trading Floor would

be consistent with Section 11(a) of the Act, as IM-7600-5 (which would apply to open outcry trading on the Virtual Trading Floor) requires Participants relying on Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder (the so called “G exemption rule”) as an exemption must yield priority to any bid (offer) at the same price of Public Customer orders and broker-dealer orders resting in the Book, as well as any other bid (offer) that has priority over those Broker Dealer orders under this Rule. The Exchange would require the same order type and systemization requirements available on the Virtual Trading Floor as it makes available on the physical Trading Floor. Floor Brokers would be subject to the responsibilities set forth in Rules 7570 and 7580 on the Virtual Trading Floor, as they are on the physical Trading Floor.

Additionally, Participants participating on the Virtual Trading Floor would be subject to the same regulatory requirements on the Virtual Trading Floor as they are on the physical Trading Floor, including those set forth in Rule Series 3000 and 4000. As previously noted, orders must be systematized and represented, and transactions reported, in connection with the Virtual Trading Floor in the same manner as they are when trading on the physical Trading Floor.<sup>22</sup> Therefore, the audit trail for open outcry trading on the Virtual Trading Floor would capture the same information that it does for open outcry trading on the physical Trading Floor. The Regulatory Division would be able to utilize preexisting floor surveillances to surveil for the activity occurring on the Virtual Trading Floor. Specifically, the Regulatory Division monitors open outcry trading using various automated surveillances, which incorporate systematized order and

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<sup>22</sup> Pursuant to proposed Rule 7670(a)(1)(F), Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Crowd and the parties have a Meeting of the Minds with respect to the terms of the transaction. A “Meeting of the Minds” means the contra-side(s) verbally confirmed participation in the trade. In the event that a Floor Market Maker is disconnected from the Virtual Trading Crowd, a Floor Market Maker quote would not be considered firm if the quote were provided and the parties did not have a Meeting of the Minds with respect to the terms of the transaction.

trade execution information and applicable time stamps, as well as other elements of the audit trail from the Floor Broker's order entry system(s) and the BOX matching engine. Because Floor Brokers will use the same tools to systematize and execute orders on the Virtual Trading Floor that they would use on the physical Trading Floor, and will be subject to the same trading rules and requirements, the Regulatory Division's automated surveillances applicable to open outcry trading will incorporate the same audit trail information from open outcry trading on the Virtual Trading Floor that they do from open outcry trading on the physical Trading Floor. Additionally, Regulatory Division Staff would always be present on the Virtual Trading Floor and may access any records pertaining to the Virtual Trading Floor (i.e. chats) if they deem it necessary and appropriate to ensure compliance with BOX Rules. The Exchange believes it will promote just and equitable principles of trading for all open outcry trading to occur in substantially the same manner, whether it occurs while market participants are in the same physical setting or in remote settings being connected through a technological solution.

In addition, the Exchange believes the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, as all individuals authorized to act on the physical Trading Floor (both Participant organizations authorized at the time the physical Trading Floor becomes inoperable and any Participant organization that becomes authorized after the physical Trading Floor becomes inoperable) will be provided with access to the Virtual Trading Floor.

Lastly, the Exchange notes that the proposed rule is a competitive response that is based on a proposal recently submitted by Cboe and Phlx and that were approved by the Commission.<sup>23</sup>

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the proposed rule change is a competitive response to the filings submitted by Cboe and Phlx that were recently approved by the Commission. Further, the Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as all Participants authorized by the Exchange, or that become authorized by the Exchange, to transact on the physical Trading Floor will receive access to the Virtual Trading Floor. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as it relates solely to the location of open outcry trading on the Exchange. The proposed rule change will merely permit open outcry trading that generally occurs while market participants are located in the same physical setting to occur while market participants are in a remote setting, connected by a technological solution (as electronic trading does).

The Exchange believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. The Exchange believes the proposed rule change will provide market participants with continuous access to open outcry trading

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<sup>23</sup> See supra note 1.

in the event the physical Trading Floor becomes inoperable. The Exchange believes this may facilitate continued, competitive price negotiations and trading of orders that the Exchange understands are more difficult to execute in an all-electronic trading environment without human interaction. Additionally, the proposed rule change will provide customer orders represented for open outcry execution with access to the same pool of liquidity in the event the physical Trading Floor becomes inoperable to which those orders would have access when the physical Trading Floor is operating in its normal state. Maintenance of this level of liquidity at all times, even when the physical Trading Floor is inoperable, may promote competition by providing these customer orders with increased liquidity than may otherwise be available, and thus increased execution opportunities and price discovery.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

Item 6. Extension of Time Periods for Commission Action

The Exchange does not consent to an extension of the time period for Securities and Exchange Commission (the "Commission") action on the proposed rule change specified in Section 19(b)(2) of the Act.<sup>24</sup>

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act.<sup>25</sup> It is difficult to predict the impact of COVID-19 on the Exchange's physical Trading Floor. As noted within the proposal, the BOX Trading Floor was closed from March 20, 2019 through May 4, 2020. Also, in December 2020, the Exchange had to

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<sup>24</sup> 15 U.S.C. 78s(b)(2).

<sup>25</sup> 15 U.S.C. 78s(b)(2).

temporarily suspend open outcry trading on the BOX Trading Floor and operate in a fully electronic environment as a precautionary measure related to COVID-19.<sup>26</sup> These closures impact a portion of the floor population that is unable to trade in the electronic market and remains unable to conduct their trading business until the physical Trading Floor reopens. This proposal would allow the Exchange to continue to operate its Trading Floor in the event the physical Trading Floor becomes inoperable, and permit floor trading to continue despite an inability to allow Participants to be physically present in open outcry due to restrictions related to COVID-19 that are necessary to maintain the health and safety of BOX's Participants and Staff.

Further, the Exchange believes that good cause for accelerated effectiveness of the proposed rule change exists in light of the fact that the proposed rule change is substantially similar to a proposal submitted by Cboe that was recently approved by the Commission.<sup>27</sup> The Exchange believes that the ability to offer BOX Participants the same continuity in the operation of its Trading Floor as Cboe has today, in the event of a closure, permits BOX to continue to remain competitive as an Exchange which offers floor trading.

The Exchange believes that this proposed rule change, which is essential for competitive purposes and to promote a free and open market for the benefit of investors, does not raise any new, unique or substantive issues from those raised in the Cboe filing. Further, the Exchange does not believe that the proposed rule change will impose any burden on intermarket competition as it relates solely to the location of open outcry trading on the Exchange. The proposed rule change will merely permit open outcry trading that generally occurs while market participants are located in the same physical

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<sup>26</sup> See RC-2020-39.

<sup>27</sup> See *supra*, note 1.

setting to occur while market participants are in a remote setting, connected by a technological solution. The Exchange also does not believe that the proposed rule change will impose any burden on intramarket competition, as all Participants authorized by the Exchange, or that become authorized by the Exchange, to transact on the Trading Floor will receive access to the Virtual Trading Floor.

The Exchange believes that the acceleration of the effectiveness of the proposed rule change is consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to immediately establish a Virtual Trading Floor if the physical Trading Floor becomes inoperable. The Exchange believes that the acceleration of the effectiveness of the proposed rule change is appropriate because it will protect investors and the public interest by permitting open outcry trading to continue in the event the Exchange's physical Trading Floor is inoperable. As discussed above, there are certain features of open outcry trading that are difficult to replicate in an electronic trading environment. The Exchange has observed, and understands from various market participants, that they have had difficulty executing certain orders, such as larger orders and high-risk and complicated strategies, in an all-electronic trading configuration without the element of human interaction to negotiate pricing for these orders. The proposed rule change would provide an environment in which this interaction would be available despite the inoperability of the physical Trading Floor. The Exchange believes the proposed rule change may facilitate continued trading of these orders if the physical Trading Floor is inoperable. The proposed rule change will provide customer orders represented for open outcry execution with access to the same pool of liquidity if the physical Trading Floor is inoperable to which those orders would have access when the physical Trading Floor



is operating in its normal state. Maintenance of this level of liquidity under circumstances that may cause the physical Trading Floor to be inoperable may promote competition by providing these customer orders with increased liquidity than may otherwise be available under those circumstances, and thus increased execution opportunities and price discovery, which ultimately benefits investors.

The Exchange notes all individuals authorized by the Exchange, or that become authorized by the Exchange, to transact on the physical Trading Floor will receive access to the Virtual Trading Floor. The Exchange believes the proposed rule change would provide market participants with continuous access to open outcry trading in the event the physical Trading Floor becomes inoperable. The Exchange believes this may facilitate continued, competitive price negotiations and trading of orders that the Exchange understands are more difficult to execute electronically without human interaction. The proposed rule change does not modify the manner in which Floor Participants may conduct open outcry trading, but rather relates solely to the location of individuals engaging in open outcry trading on the Exchange.<sup>28</sup>

As noted above, the Exchange reopened its physical Trading Floor on May 4, 2020. Given the ongoing pandemic, it is possible the Exchange may determine it is necessary to close the physical Trading Floor again for health and safety purposes, which could occur at any time. Acceleration of the effectiveness of the proposed rule change would permit the Exchange to offer a Virtual Trading Floor solution in that situation if it were to occur in the near future. This would permit the Exchange to provide market participants with continuous access to open outcry trading while the physical Trading Floor is unavailable, which would increase the ability of market

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<sup>28</sup> The Exchange again notes that all orders represented on the Virtual Trading Floor will be then sent to the BOX Trading Host for execution, exactly the same process done today on the physical Trading Floor.

participants to execute certain orders that are more difficult to execute in an all-electronic environment, as discussed above. Continuous access to the full pool of liquidity that is generally available on the physical Trading Floor when it operates in a normal state will provide customers with continuous access to the price discovery and execution opportunities resulting from that liquidity.

Further, the Exchange believes that the acceleration of the effectiveness of the proposed rule change is appropriate as similar rules were recently approved by the Commission.<sup>29</sup> Failure to grant the acceleration of the effectiveness of the proposed rule change would place the Exchange at a competitive disadvantage as Floor Participants at BOX would be forced to execute orders on competing virtual trading floors if BOX's physical Trading Floor were to become inoperable.

Therefore, the Exchange respectfully requests acceleration of the effectiveness of the proposed rule changes. The Exchange respectfully requests that the Commission find good cause to accelerate approval.

Item 8. Proposed Change Based Upon Rules of Another Self-Regulatory Organization or of the Commission

As discussed above, the Exchange believes that the proposed rule change is similar to a proposal submitted by Cboe and approved by the Commission. The Exchange notes a few minor differences between the proposed rule discussed herein and Cboe's rule. First, the Exchange notes that throughout the proposed rule text, it removed any reference to trading by class in a Virtual Trading Pit. BOX's physical Trading Floor has one Crowd Area or Pit where all options classes are traded. As such, the Exchange believes that this configuration should carry over to

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<sup>29</sup> See supra note 2.

the Virtual Trading Floor. As proposed, the Virtual Trading Floor will have one Virtual Trading Pit where all classes may be traded.

Next, the Exchange did not include Cboe Rules 5.24 (e)(3)(A) (iii) - (v) as the Exchange does not have these references in the BOX ruleset. Further, the Exchange notes that it did not include certain language in proposed rule 7670(a)(1)(C) detailing Exchange provided equipment to access PAR workstations. The Exchange notes that this is not applicable to BOX because BOX does not utilize PAR workstations on the Trading Floor. Floor Brokers on BOX utilize their own front end order entry systems to receive orders from their customers and then submit such orders to the BOX Trading Host. Under this proposal, Participants on the Virtual Trading Floor will continue to use their own order entry systems in the same manner as they do on the physical Trading Floor today. As such, Cboe language discussing PAR workstations is not appropriate for BOX and the removal of such language is reasonable and appropriate in this proposal.

Further, BOX will continue to require a Floor Market Maker be present on the Virtual Trading Floor, consistent with BOX Rule 7580(a), while Cboe does not currently require a minimum number of Market Makers to be present on the physical Trading Floor and does not impose any such requirement for the Virtual Trading Floor. The Exchange believes it is necessary and appropriate to impose such requirement for the BOX Virtual Trading Floor and notes that another exchange with a physical trading floor has a similar requirement with regard to Floor Market Maker presence.<sup>30</sup>

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<sup>30</sup> The Exchange notes that another options exchange with a Virtual Trading Floor has a similar requirement. See Securities Exchange Release Act No. 91299 (March 11, 2021), 86 FR 14661 (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

Lastly, the Exchange notes that it included proposed Rule 7670(a)(1)(F) (Floor Market Maker Quotes) which is not included in the Cboe rules. The Exchange believes the addition of this rule will further clarify that Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Crowd and the parties have a Meeting of the Minds with respect to the terms of the transaction. The Exchange believes including this language in the rule text will reduce potential confusion with regard to Floor Market Maker quotes on the Virtual Trading Floor. The Exchange notes that identical rule text exists at another exchange with a virtual trading floor.<sup>31</sup> As such, the inclusion of this rule is reasonable and appropriate.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

1. Form of Notice of the Proposed Rule Change for Publication in the Federal Register.
5. Text of the Proposed Rule Change.

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<sup>31</sup> See Securities Exchange Release Act No. 91299 (March 11, 2021), 86 FR 14661 (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-BOX-2021-07)

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Proposed Rule Change to establish BOX Rule 7670 (Virtual Trading Floor).

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [DATE], BOX Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to establish BOX Rule 7670 (Virtual Trading Floor) to adopt a Virtual Trading Floor on BOX. This Amendment No. 1 replaces and supersedes SR-BOX-2021-07<sup>3</sup> in its entirety. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxoptions.com>.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 91714 (April 29, 2021), 86 FR 24119 (May 5, 2021)(SR-BOX-2021-07).

examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to establish BOX Rule 7670 to adopt a Virtual Trading Floor on BOX. This is a competitive filing that is based on a proposal submitted by Cboe Exchange, Inc. (“Cboe”) and approved by the Commission.<sup>4</sup>

On March 20, 2020, as a precautionary measure to prevent the potential spread of coronavirus (COVID-19), BOX closed the physical Trading Floor located in Chicago, Illinois for an indefinite period of time. As a result of the closure of the physical Trading Floor, BOX operated in an electronic only trading mode. The Exchange continued to operate in an all-electronic environment until May 4, 2020, when the Exchange reopened its physical Trading Floor with continued safety guidelines, policies and procedures in place. However, given the uncertainty related to the ongoing pandemic, which includes the possibility of the Exchange having to close its physical Trading Floor again, and given the possibility that the Exchange’s physical Trading Floor may be inoperable for other reasons in the future, the Exchange believes it is appropriate to continue to review and enhance its rules with regard to its business continuity plans. While BOX continued to operate in an all-electronic environment while the physical Trading Floor was closed,

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<sup>4</sup> See Securities Exchange Act Release No. 90658 (December 14, 2020), 85 FR 82560 (December 18, 2020) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of SR-CBOE-2020-055). See also Securities Exchange Act Release No. 91299 (March 11, 2021), 86 FR 14661 (March 17, 2021)(Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

an all-electronic trading environment cannot fully replicate open outcry trading.

Therefore, the Exchange continues to evaluate potential enhancements that it believes would permit open outcry trading in the event the physical Trading Floor is inoperable to more closely replicate its trading environment that exists during normal operations.

There are certain features of open outcry trading that are difficult to replicate in an electronic trading environment, particularly the human interaction that permits persons to negotiate pricing and to facilitate executions of larger orders and high-risk complicated strategies. For example, from January 2, 2020 through March 21, 2020 (the last day on which the Trading Floor was open), Complex Orders for options with more than four legs represented approximately 11.3% of the total complex order average daily volume (“ADV”) during that timeframe. However, from March 22, 2020 (the first day on which the physical Trading Floor was closed) through May 1, 2020 (the last day before the physical Trading Floor reopened), Participants executed zero complex orders for options with more than four legs.<sup>5</sup> This data, taken into consideration with feedback from Participants, demonstrates the difficulty market participants have with executing high-risk and complex strategies in an all-electronic trading environment that does not allow for human interaction.

The Exchange believes the proposed rule change would further enhance the Exchange’s trading environment when the physical Trading Floor is inoperable by permitting market participants that generally operate on the physical Trading Floor to continue to interact in a substantially similar manner as they do on the physical Trading Floor. Specifically, the Exchange proposes to adopt Rule 7670(a) which details the Loss

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<sup>5</sup> The Exchange notes that from May 2, 2020 through July 31, 2020, Complex Orders for options with more than four legs represented approximately 6.9% of the total Complex Order ADV during that timeframe. The Exchange believes that this trading activity further demonstrates the need to execute certain high-risk and complex strategies with the assistance of human interaction and price negotiation that a Trading Floor best facilitates. The Exchange believes that the proposed Virtual Trading Floor will be an identical venue to that of the physical Trading Floor with respect to these types of trades.

of Trading Floor. If the Exchange Trading Floor becomes inoperable and the Exchange does not make a Virtual Trading Floor available, the Exchange will continue to operate in an electronic only environment while the Trading Floor is inoperable. Open outcry trading will not be available in the event the Trading Floor becomes inoperable except as otherwise set forth in Rule 7670 discussed herein. The Exchange reiterates that the proposed Virtual Trading Floor will only be activated if the physical Trading Floor becomes inoperable. Further, the Exchange has the discretion to not activate the Virtual Trading Floor if the physical Trading Floor becomes inoperable. In making the determination to move to an all-electronic environment, the Exchange will evaluate the factor or factors that caused the physical Trading Floor to become inoperable to determine if it warrants activating the Virtual Trading Floor. Such factors, may include, but are not limited to, the anticipated duration, cause, and nature of the condition, burden on Floor Participants, and whether the condition that caused the inoperability of the physical Trading Floor is affecting the Exchange's operations broadly in a way that makes operating the Virtual Trading Floor difficult or impossible.

The Exchange proposes to adopt Rule 7670(a)(1) which will allow the Exchange to make available an audio and video communication program to serve as a "Virtual Trading Floor" during regular trading hours. In the program, the Exchange will create a "Virtual Trading Pit." In the Virtual Trading Pit, each Participant authorized to access the Virtual Trading Floor (as described below) that enters the Virtual Trading Pit will be visible to all other Participants in the Virtual Trading Pit. Additionally, all Participants in the Virtual Trading Pit may speak to each other through the program. This will allow the same communication capabilities Participants generally have on the physical Trading



Floor so that they may conduct open outcry trading on the Virtual Trading Floor in the same manner as they do on the physical Trading Floor.

All rules related to open outcry trading will apply to open outcry trading on the Virtual Trading Floor in the same manner as they currently apply to open outcry trading on the physical Trading Floor. In addition, proposed subparagraphs (a)(1)(A)-(G) will apply to trading on the Virtual Trading Floor.

Proposed subparagraph (a)(1)(A) lists certain terms in the rules related to open outcry trading on the physical Trading Floor that will be deemed to refer to corresponding terms related to open outcry trading on the Virtual Trading Floor.

Specifically:

- (i) References in the Rules to the “Floor,” “Trading Floor,” and “Exchange Floor” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Floor.”
- (ii) References in the Rules to “Pit” and “Crowd Area” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Pit” or “Virtual Trading Crowd.”
- (iii) The term “In-crowd Floor Participant” means a Floor Market Maker or a Floor Broker representing an order in the Virtual Trading Pit on the Virtual Trading Floor.

Access to the Virtual Trading Floor will be substantially similar to access to the physical Trading Floor. Currently, admission to the physical Trading Floor is limited to Floor Participants, Exchange employees, Clerks employed by Floor Participants and registered with the Exchange, Exchange visitors that receive authorized admission to the Trading Floor pursuant to Exchange policy, and any other persons that the Exchange

authorizes admission to the Trading Floor. Proposed Rule 7670(a)(1)(B) provides the same persons with access to the Virtual Trading Floor, except for visitors. While Clerks may access the Virtual Trading Floor, they may only perform the same functions for their associated organizations in connection with open outcry trading on the Virtual Trading Floor as they do for open outcry trading on the physical Trading Floor. The Exchange understands permitting Clerks to access the Virtual Trading Floor will provide them with access to the information that they normally have access to on the physical Trading Floor, which will make it more efficient for them to perform their tasks. Clerks will continue to be unable to enter into transactions on the Exchange. Additionally, as there is no physical equipment that would need service on the Virtual Trading Floor, and no purpose for a visitor to observe the Virtual Trading Floor, the proposed rule change excludes visitors from accessing the Virtual Trading Floor.<sup>6</sup>

As is the case with the physical Trading Floor, the Exchange will provide access to the Virtual Trading Floor to Participants the Exchange has approved to perform a Trading Floor function (including Floor Brokers and Floor Market Makers). This includes Participants (and individuals that represent Participant organizations) that are currently authorized to perform Trading Floor functions, as well as any additional Participants that receive such authorization in the future. Each authorized individual will receive one log-in to the Virtual Trading Floor. The Exchange currently requires at least one Market Maker to be present on the physical Trading Floor (prior to a Floor Broker announcing an order for execution)<sup>7</sup> and believes it is necessary and appropriate to

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<sup>6</sup> While the Exchange does not anticipate granting any other individuals with access to the Virtual Trading Floor outside of Participants and Exchange personnel, the Exchange believes the flexibility to permit Exchange personnel to access the Virtual Trading Floor is appropriate, such as to permit access to make updates to the communication program.

<sup>7</sup> See BOX Rule 7580(a).

impose such requirement for the Virtual Trading Floor.<sup>8</sup> Further, the Exchange notes that it will track which individuals participate on the Virtual Trading Floor, including when they log-in and log-out.

Under this proposal, Floor Participants are not required to display badges on the Virtual Trading Floor, as the size of the view on the communication program may not permit badges to be visible.<sup>9</sup> Currently, on the physical Trading Floor, a Floor Market Maker has an appointment to trade open outcry in all classes trading on the Exchange (and must be physically present in the Crowd Area to trade in open outcry). Similarly, any Floor Market Maker authorized to act on the physical Trading Floor will receive access to the Virtual Trading Pit on the Virtual Trading Floor and will have an appointment to trade all classes on the Exchange.

As set forth in Rule 7660, and subject to the requirements in that Rule, Floor Participants may use any communication device on the physical Trading Floor (which it must register with the Exchange). Pursuant to proposed Rule 7670(a)(1)(C), Participants may use any equipment to access the Virtual Trading Floor. Prior to using a communications device for business purposes on the physical Trading Floor of the Exchange, Participants must register the communications device by identifying (in a form and manner prescribed by the Exchange) the hardware. Because individuals on the Virtual Trading Floor will not be on the Exchange premises (and thus will not be using Exchange provided bandwidth to be shared with all market participants and do not pose the same security risks), the proposed rule change will not require Participants to register

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<sup>8</sup> The Exchange notes that another options exchange with a Virtual Trading Floor has a similar requirement. See Securities Exchange Release Act No. 91299 (March 11, 2021), 86 FR 14661 (March 17, 2021)(Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

<sup>9</sup> The Virtual Trading Floor program will identify the Participant organization of each Participant in the Virtual Trading Pit.

devices they use while on the Virtual Trading Floor.<sup>10</sup> Rule 7660 will otherwise apply in the same manner to the Virtual Trading Floor as it does to the physical Trading Floor (to the extent the context requires). This includes requirements related to audit trail and record retention, prohibition on using any device for the purpose of recording activities in the Virtual Trading Pit or maintaining an open line of continuous communication whereby a non-associated person not located in the Virtual Trading Crowd may continuously monitor the activities in the Virtual Trading Crowd.

The Exchange will use a communication program that has audio and video capabilities, as well as “chat” functionality. Proposed Rule 7670(a)(1)(D) states that the Exchange may determine to require any Floor Market Maker or Floor Broker in the Virtual Trading Pit that wants to trade against an order represented for execution to express its bid or offer in a chat available in the Virtual Trading Pit.<sup>11</sup> The Exchange would require Participants to utilize the chat function if BOX Trading Floor Officials determine that increased volume or activity in the Virtual Trading Crowd warrant mandatory use of the chat feature for Participants to maintain a fair and orderly market.<sup>12</sup> Chats will be visible to all Participants in the Virtual Trading Pit and will not be

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<sup>10</sup> The Exchange notes that Floor Participants will be required to inform the Exchange of the IP address that will be used to access the Virtual Trading Floor. Market participants will likely use home networks to connect to the Virtual Trading Floor platform (which is contained in the BOX trading environment). By requiring the submission of IP addresses to BOX, the Exchange is able to create a secure network available only to approved IP addresses. This, in turn, denies any outside (and not previously approved) connections from entering the Virtual Trading Floor and, thus secures the virtual trading environment to only those Participants approved by the Exchange. Further, the Exchange believes that requiring the submission of IP addresses connected to the Virtual Trading Floor is appropriate and will be of assistance to BOX employees if market participants experience any connection issues when trying to use the Virtual Trading Floor platform.

<sup>11</sup> Before activating the Virtual Trading Floor, the Exchange will announce to all Participants via Regulatory Circular that Trading Floor Officials have, in their discretion, the ability to require bids and offers to be expressed in a chat within the communication program. The Exchange will provide such notice with sufficient advance notice.

<sup>12</sup> The Exchange notes that another exchange with a Virtual Trading Floor has a similar requirement. See Securities Exchange Release Act No. 91299 (March 11, 2021), 86 FR 14661 (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of SR-Phlx-2021-03).

permitted directly between individual Participants (i.e. the Exchange will disable direct messaging functionality within the communication program). Participants on the physical Trading Floor only verbalize their interest to trade against a represented order, so not requiring bids and offers to be included in a chat conforms to current practice on the physical Trading Floor. However, given potential limitations of communication software (such as limitations on how many people may be heard at the same time in the Virtual Trading Pit or potential buffering or echoing), the Exchange believes it may be appropriate to require market participants to use a chat tool in the communication program to indicate their interest in participating in a trade so that the representing Floor Broker is able to know the market from the Virtual Trading Crowd and fairly allocate the trade pursuant to the Rules. The Exchange believes the flexibility to impose this requirement in the Virtual Trading Pit is appropriate, as these limitations may ultimately not interfere with a Floor Broker's ability to hear all interest (particularly in a Virtual Trading Pit with few Participants) and thus the additional requirement may potentially slow down executions. The Exchange notes that, regardless of whether it requires the chat function to be used, the Exchange will maintain records of all chats on the Virtual Trading Floor in accordance with its self-regulatory organization record-retention obligations.<sup>13</sup>

The program also has a functionality that will permit Floor Brokers and Floor Market Makers on the Virtual Trading Floor to see an electronic blotter containing a running list of unexecuted orders that have been represented by Floor Brokers on the Virtual Trading Floor. The Exchange notes that Floor Brokers will be required to enter

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<sup>13</sup> The Exchange notes that the chat functionality will be available to Virtual Trading Floor Participants at all times.

their orders into the electronic blotter at the same time they open outcry the order to the Virtual Trading Crowd.<sup>14</sup> Currently, Floor Brokers, prior to the announcement of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the Floor Broker's proprietary order entry mechanism. The Floor Broker then verbally announces the order to the trading crowd before submitting the order to the BOX Trading Host for execution. This information is generally only verbally available on the physical Trading Floor. However, similar to why the Exchange is making chat functionality available on the Virtual Trading Floor, the Exchange believes the additional information included in the blotter will benefit Virtual Trading Floor Participants given potential limitations of communication software (such as limitations on how many people may be heard at the same time in the Virtual Trading Pit or potential buffering or echoing). For example, if a Floor Market Maker's personal device momentarily freezes, causing the Floor Market Maker to miss the terms of an order represented verbally by a Floor Broker, the Floor Market Maker will still be able to see the terms of the order in the blotter and determine whether it wants to seek to trade with the order.

Further, pursuant to proposed Rule 7670(a)(1)(F), Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Floor and the parties have a Meeting of the Minds with respect to the terms of the transaction. A "Meeting of the Minds" means the contra-side(s) verbally confirmed participation in the trade. In the event that a Floor Market Maker is disconnected from the Virtual Trading Crowd, a Floor Market Maker quote would not be considered firm if the quote were provided and the parties did not have a Meeting of the Minds with respect to the terms of the transaction.

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<sup>14</sup> See Proposed Rule 7670(a)(1)(E).

Today, a Floor Market Maker that experiences issues with internet connection, makes an error or otherwise is unaware of recent news in a particular option, would be held to a quote verbalized in open outcry. In the event that the negotiation continues and the terms change, the Floor Marker Maker would not be held to the new terms without additional acceptance of those terms. In the event that the transaction is not effectuated in the BOX Trading Host, the trade would not stand. To that end, the Exchange believes requiring quotes to remain firm once the parties have arrived at a Meeting of the Minds with respect to the terms of the transaction creates fair and equitable expectations for Participants trading in the Virtual Trading Crowd.

The Exchange notes that, regardless of whether it requires the chat function to be used, the Exchange will maintain records of all chats on the Virtual Trading Floor<sup>15</sup> in accordance with its self-regulatory organization record retention obligations, as these are "correspondence" records subject to those obligations, as set forth in proposed subparagraph (a)(1)(G).<sup>16</sup> Specifically, proposed 7670(a)(1)(G) states the Exchange will retain records of the chats, Participant logs, electronic blotter, and any other records related to the Virtual Trading Floor that are subject to the Exchange's record retention obligations under the Exchange Act. The Exchange does not currently plan to record sessions of the Virtual Trading Floor.<sup>17</sup> However, if the Exchange determines to record these sessions, it would retain those video recordings in accordance with its record retention obligations.<sup>18</sup>

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<sup>15</sup> The Exchange notes the information that will be displayed in the blotter is already retained as part of the BOX order audit trail.

<sup>16</sup> See 15 U.S.C. 78q(a).

<sup>17</sup> The Exchange does not believe recording video and audio of a session on the Virtual Trading Floor is required under the BOX Rules or the Exchange Act.

<sup>18</sup> Id. The Exchange notes it will disable the ability of Participants to record the Virtual Trading Floor through the communication program. The Exchange further notes that Floor Participants are not allowed to record any activities on the Trading Floor under BOX Rule 7660(i).

Floor Officials will have access to the Virtual Trading Floor. Floor Officials will have the same authority to act on the Virtual Trading Floor as they do on the physical Trading Floor. Additionally, a BOX employee will be available to provide technical and operational support (in addition to regular Exchange support staff for floor operations) if Participants on the Virtual Trading Floor need assistance. If there was an issue with the communication program making the Virtual Trading Floor unavailable, the Exchange would operate in an all-electronic environment (as it did earlier in 2020 when the physical Trading Floor was unavailable) until the communication program was available again.

While open outcry trading on the Virtual Trading Floor will occur with in-crowd market participants interacting with each other remotely through a communication program, all trading that occurs on the Virtual Trading Floor will occur in the same manner as it does on the physical Trading Floor. Specifically, open outcry trading on the Virtual Trading Floor will be subject to the same priority and allocation rules as open outcry trading on the physical Trading Floor, as set forth in Rule 7600. Any risk controls and price protection mechanisms that apply to open outcry trading on the physical Trading Floor will apply in the same manner to open outcry trading on the Virtual Trading Floor. The Exchange will require the same order type and systemization requirements available on the Virtual Trading Floor as it makes available on the physical Trading Floor. Floor Brokers will continue to be subject to the responsibilities set forth in Rules 7570 and 7580 on the Virtual Trading Floor, as they are on the physical Trading Floor.

In addition, market participants participating on the Virtual Trading Floor will be subject to the same regulatory requirements on the Virtual Trading Floor as they are on



the physical Trading Floor, including those set forth in Rule Series 3000 and 4000. Orders must be systematized<sup>19</sup> and represented,<sup>20</sup> and transactions reported, in connection with the Virtual Trading Floor in the same manner as they are when trading on the physical Trading Floor. Therefore, the audit trail for open outcry trading on the Virtual Trading Floor will capture the same information that it does for open outcry trading on the physical Trading Floor. The Regulatory Division will be able to utilize preexisting Trading Floor surveillances to surveil for the activity occurring on the Virtual Trading Floor. Specifically, the Regulatory Division monitors open outcry trading using various automated surveillances, which incorporate systematized order and trade execution information and applicable time stamps, as well as other elements of the audit trail from the Floor Broker's order entry system(s) and the BOX matching engine. Because Floor Brokers will use the same tools to systematize and execute orders on the Virtual Trading Floor that they would use on the physical Trading Floor, and will be subject to the same trading rules and requirements, the Regulatory Staff's automated surveillances applicable to open outcry trading will incorporate the same audit trail information from open outcry trading on the Virtual Trading Floor that they do from open outcry trading on the physical Trading Floor. Additionally, Regulatory Staff will always be present on the Virtual Trading Floor and may access any records pertaining to the Virtual Trading Floor (i.e. chats) if they deem it necessary and appropriate to ensure compliance with BOX Rules.

Lastly, the Exchange notes that it has conducted meetings with Floor Participants in which the Exchange presented the functionality of the Virtual Trading Floor and has

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<sup>19</sup> See Rule 7580(e)(1).

<sup>20</sup> See Rule 7580(e)(2).

made the Virtual Trading Floor available for testing so that the Exchange will be ready to implement it if necessary. The Exchange has received positive feedback from Floor Participants regarding the Virtual Trading Floor and will continue to make updates as necessary and appropriate in response to comments it receives to make the Virtual Trading Floor replicate the open outcry trading experience on the physical Trading Floor as much as possible. The Exchange believes this will provide the opportunity for as seamless a rollout as possible if circumstances cause the Exchange to make the Virtual Trading Floor available.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>21</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>22</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>23</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system,

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<sup>21</sup> 15 U.S.C. 78f(b).

<sup>22</sup> 15 U.S.C. 78f(b)(5).

<sup>23</sup> Id.

and, in general, to protect investors and the public interest, as it will permit open outcry trading to continue in the event the Exchange's physical Trading Floor becomes inoperable. The Exchange again notes that the proposed Virtual Trading Floor will only be activated if the physical Trading Floor becomes inoperable. Further, the Exchange has the discretion to not activate the Virtual Trading Floor if the physical Trading Floor becomes inoperable. The Exchange believes that these factors, taken together, limit the scope of this proposal to extenuating circumstances that the Exchange hopes to avoid. While the Exchange continues to believe that the physical Trading Floor is an essential function to BOX Market and hopes the physical Trading Floor does not become inoperable or require any closures in the future, the Exchange also believes it is appropriate to continue to review and enhance its rules with regard to its business continuity plans if the physical Trading Floor were to become inoperable. As such, the Exchange believes the adoption of a Virtual Trading Floor, which emulates the physical Trading Floor, is reasonable and appropriate given the circumstances the world faces today.

As discussed above, there are certain features of open outcry trading that are difficult to replicate in an all-electronic trading environment. The Exchange has observed, and understands from various market participants, that they have had difficulty executing certain orders, such as larger orders and high-risk and complicated strategies, in an all-electronic trading environment without the element of human interaction to negotiate pricing for these orders. The proposed rule change would provide an environment in which this interaction would be available despite the inoperability of the physical Trading Floor. The Exchange believes the proposed rule change may facilitate continued trading of these orders if the physical Trading Floor

becomes inoperable. As a result, the Exchange believes providing continuous access to open outcry trading if the physical Trading Floor is inoperable will remove impediments to a free and open market and will ultimately benefit investors, particularly those desiring to execute high-risk and complex trading strategies.

The Exchange also believes the proposed rule change will promote just and equitable principles of trade, as open outcry trading on a Virtual Trading Floor would occur in accordance with the same trading rules and be subject to the same regulatory requirements that apply to open outcry trading on the physical Trading Floor, all of which have previously been filed with the Commission. The proposed rule change will merely permit this open outcry trading to occur in a virtual setting rather than a physical setting (which may be necessary and appropriate for health and safety purposes) – in other words, open outcry trading on the Virtual Trading Floor would occur while market participants operate remotely as they do when they trade electronically. Specifically, open outcry trading on the Virtual Trading Floor would be subject to the same priority and allocation rules as open outcry trading on the physical Trading Floor, as set forth in Rule 7600 series. As is the case for open outcry trading on the physical Trading Floor, open outcry trading on the Virtual Trading Floor would be consistent with Section 11(a) of the Act, as IM-7600-5 (which would apply to open outcry trading on the Virtual Trading Floor) requires Participants relying on Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder (the so called “G exemption rule”) as an exemption must yield priority to any bid (offer) at the same price of Public Customer orders and broker-dealer orders resting in the Book, as well as any other bid (offer) that has priority over those Broker Dealer orders under this Rule. The Exchange would require the same order type and systemization requirements available on the

Virtual Trading Floor as it makes available on the physical Trading Floor. Floor Brokers would be subject to the responsibilities set forth in Rules 7570 and 7580 on the Virtual Trading Floor, as they are on the physical Trading Floor.

Additionally, Participants participating on the Virtual Trading Floor would be subject to the same regulatory requirements on the Virtual Trading Floor as they are on the physical Trading Floor, including those set forth in Rule Series 3000 and 4000. As previously noted, orders must be systematized and represented, and transactions reported, in connection with the Virtual Trading Floor in the same manner as they are when trading on the physical Trading Floor.<sup>24</sup> Therefore, the audit trail for open outcry trading on the Virtual Trading Floor would capture the same information that it does for open outcry trading on the physical Trading Floor. The Regulatory Division would be able to utilize preexisting floor surveillances to surveil for the activity occurring on the Virtual Trading Floor. Specifically, the Regulatory Division monitors open outcry trading using various automated surveillances, which incorporate systematized order and trade execution information and applicable time stamps, as well as other elements of the audit trail from the Floor Broker's order entry system(s) and the BOX matching engine. Because Floor Brokers will use the same tools to systematize and execute orders on the Virtual Trading Floor that they would use on the physical Trading Floor, and will be subject to the same trading rules and requirements, the Regulatory Division's automated surveillances applicable to open outcry trading will incorporate the same audit trail

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<sup>24</sup> Pursuant to proposed Rule 7670(a)(1)(F), Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Crowd and the parties have a Meeting of the Minds with respect to the terms of the transaction. A "Meeting of the Minds" means the contra-side(s) verbally confirmed participation in the trade. In the event that a Floor Market Maker is disconnected from the Virtual Trading Crowd, a Floor Market Maker quote would not be considered firm if the quote were provided and the parties did not have a Meeting of the Minds with respect to the terms of the transaction.

information from open outcry trading on the Virtual Trading Floor that they do from open outcry trading on the physical Trading Floor. Additionally, Regulatory Division Staff would always be present on the Virtual Trading Floor and may access any records pertaining to the Virtual Trading Floor (i.e. chats) if they deem it necessary and appropriate to ensure compliance with BOX Rules. The Exchange believes it will promote just and equitable principles of trading for all open outcry trading to occur in substantially the same manner, whether it occurs while market participants are in the same physical setting or in remote settings being connected through a technological solution.

In addition, the Exchange believes the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, as all individuals authorized to act on the physical Trading Floor (both Participant organizations authorized at the time the physical Trading Floor becomes inoperable and any Participant organization that becomes authorized after the physical Trading Floor becomes inoperable) will be provided with access to the Virtual Trading Floor.

Lastly, the Exchange notes that the proposed rule is a competitive response that is based on a proposal recently submitted by Cboe and Phlx and that were approved by the Commission.<sup>25</sup>

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the proposed rule change is a competitive response to the filings submitted by Cboe and Phlx that were

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<sup>25</sup> See supra note 3.

recently approved by the Commission. Further, the Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as all Participants authorized by the Exchange, or that become authorized by the Exchange, to transact on the physical Trading Floor will receive access to the Virtual Trading Floor. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as it relates solely to the location of open outcry trading on the Exchange. The proposed rule change will merely permit open outcry trading that generally occurs while market participants are located in the same physical setting to occur while market participants are in a remote setting, connected by a technological solution (as electronic trading does).

The Exchange believes that the proposed rule change will relieve any burden on, or otherwise promote, competition. The Exchange believes the proposed rule change will provide market participants with continuous access to open outcry trading in the event the physical Trading Floor becomes inoperable. The Exchange believes this may facilitate continued, competitive price negotiations and trading of orders that the Exchange understands are more difficult to execute in an all-electronic trading environment without human interaction. Additionally, the proposed rule change will provide customer orders represented for open outcry execution with access to the same pool of liquidity in the event the physical Trading Floor becomes inoperable to which those orders would have access when the physical Trading Floor is operating in its normal state. Maintenance of this level of liquidity at all times, even when the physical Trading Floor is inoperable, may promote competition by providing these customer

orders with increased liquidity than may otherwise be available, and thus increased execution opportunities and price discovery.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2021-07 on the subject line.



Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2021-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method.

The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, on business days between the hours of 10 a.m. and 3 p.m., located at 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BOX-2021-07 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

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<sup>26</sup> 17 CFR 200.30-3(a)(12).

Kevin M. O'Neill  
Deputy Secretary

**EXHIBIT 4**

The text of the proposed rule change is marked below to show changes from the text of the Original Filing, as amended by Amendment 1. Double-underlined text is new and stricken text is being removed.

**BOX OPTIONS EXCHANGE LLC**

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**Rule 7670 Virtual Trading Floor**

(a) *Loss of Trading Floor.* If the Exchange Trading Floor becomes inoperable and the Exchange does not make a Virtual Trading Floor available pursuant to subparagraph (1) below, the Exchange will continue to operate in an electronic-only environment while the Trading Floor facility is inoperable. Open outcry trading pursuant to Rule series 7600 will not be available in the event the Trading Floor becomes inoperable, except as otherwise set forth in paragraph (a)(1) below.

(1) *Virtual Trading Floor.* If the physical Trading Floor is inoperable, the Exchange may make available an audio and video communication program to serve as a “Virtual Trading Floor” during regular trading hours. In the program, the Exchange will create a “Virtual Trading Pit.” All Rules related to open outcry trading will apply to open outcry trading on the Virtual Trading Floor in the same manner as they apply to open outcry trading on the physical Trading Floor, ~~except as the context otherwise requires and as follows:~~ In addition, the following rules will apply to trading on the Virtual Trading Floor:

(A) Terms.

(i) References in the Rules to the “Floor,” “Trading Floor,” and “Exchange Floor” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Floor.”

(ii) References in the Rules to “Pit,” and “Crowd Area” (and any other terms with the same meaning) will be deemed to refer to a the “Virtual Trading Pit.” or “Virtual Trading Crowd.”

(iii) The terms “in-crowd Floor Participant” means a Floor Market Maker or a Floor Broker representing an order in the Virtual Trading Pit on the Virtual Trading Floor.

(B) *Access.* Admission to the Virtual Trading Floor is limited to Floor Participants, Clerks, Exchange employees, and any other persons the Exchange authorizes admission to the Virtual Trading Floor. The Exchange will provide access to the Virtual Trading Floor to Participants the Exchange has approved to perform a Trading Floor function (including Floor Brokers and Floor Market Makers). Each authorized individual will receive one log-in to the Virtual Trading Floor. The Exchange tracks which individuals participate ~~in~~ on the Virtual Trading Floor, including when they log-in and log-out. Floor Participants and Clerks are not required to display badges on the Virtual Trading Floor.

(C) *Equipment.* Floor Participants may use any equipment to access the Virtual Trading Floor and do not need to register devices they use while on the Virtual Trading Floor.

(D) *Chats.* The Exchange may determine to require any Floor Market Maker or Floor Broker in the Virtual Trading Pit that wants to trade against an order represented for execution to express its bid or offer in a chat available in the Virtual Trading Pit. Chats will be visible to all Participants in the Trading Pit and will not be permitted directly between individual Participants.

(E) *Electronic Blotter.* Floor Brokers will be required to enter their orders into the electronic blotter at the same time they open outcry the order to the Virtual Trading Crowd.

~~(F)~~ *Floor Market Maker Quotes.* Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Crowd and the parties have a Meeting of the Minds with respect to the terms of the transaction. A “Meeting of the Minds” means the contra-side(s) verbally confirmed participation in the trade. In the event that a Floor Market Maker is disconnected from the Virtual Trading ~~Crowd~~Floor, a Floor Market Maker quote would not be considered firm if the quote were provided and the parties did not have a Meeting of the Minds with respect to the terms of the transaction.

~~(G)~~ *Records.* The Exchange will retain records of the chats, Participant logs, electronic blotter, and any other records related to the Virtual Trading Floor that are subject to the Exchange’s record retention obligations under the Exchange Act.

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**EXHIBIT 5**

New language  
[deleted language]

**BOX OPTIONS EXCHANGE LLC**

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**Rule 7670 Virtual Trading Floor**

(a) Loss of Trading Floor. If the Exchange Trading Floor becomes inoperable and the Exchange does not make a Virtual Trading Floor available pursuant to subparagraph (1) below, the Exchange will continue to operate in an electronic-only environment while the Trading Floor facility is inoperable. Open outcry trading pursuant to Rule series 7600 will not be available in the event the Trading Floor becomes inoperable, except as otherwise set forth in paragraph (a)(1) below.

(1) Virtual Trading Floor. If the physical Trading Floor is inoperable, the Exchange may make available an audio and video communication program to serve as a “Virtual Trading Floor” during regular trading hours. In the program, the Exchange will create a “Virtual Trading Pit.” All Rules related to open outcry trading will apply to open outcry trading on the Virtual Trading Floor in the same manner as they apply to open outcry trading on the physical Trading Floor. In addition, the following rules will apply to trading on the Virtual Trading Floor:

(A) Terms.

(i) References in the Rules to the “Floor,” “Trading Floor,” and “Exchange Floor” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Floor.”

(ii) References in the Rules to “Pit,” and “Crowd Area” (and any other terms with the same meaning) will be deemed to refer to the “Virtual Trading Pit” or “Virtual Trading Crowd.”

(iii) The term “In-crowd Floor Participant” means a Floor Market Maker or a Floor Broker representing an order in the Virtual Trading Pit on the Virtual Trading Floor.

(B) Access. Admission to the Virtual Trading Floor is limited to Floor Participants, Clerks, Exchange employees, and any other persons the Exchange authorizes admission to the Virtual Trading Floor. The Exchange will provide access to the Virtual Trading Floor to Participants the Exchange has approved to perform a Trading Floor function (including Floor Brokers and Floor Market

Makers). Each authorized individual will receive one log-in to the Virtual Trading Floor. The Exchange tracks which individuals participate on the Virtual Trading Floor, including when they log-in and log-out. Floor Participants and Clerks are not required to display badges on the Virtual Trading Floor.

(C) *Equipment*. Floor Participants may use any equipment to access the Virtual Trading Floor and do not need to register devices they use while on the Virtual Trading Floor.

(D) *Chats*. The Exchange may determine to require any Floor Market Maker or Floor Broker in the Virtual Trading Pit that wants to trade against an order represented for execution to express its bid or offer in a chat available in the Virtual Trading Pit. Chats will be visible to all Participants in the Trading Pit and will not be permitted directly between individual Participants.

(E) *Electronic Blotter*. Floor Brokers will be required to enter their orders into the electronic blotter at the same time they open outcry the order to the Virtual Trading Crowd.

(F) *Floor Market Maker Quotes*. Floor Market Maker quotes will be considered firm in the event the Floor Market Maker is disconnected from the Virtual Trading Crowd and the parties have a Meeting of the Minds with respect to the terms of the transaction. A “Meeting of the Minds” means the contra-side(s) verbally confirmed participation in the trade. In the event that a Floor Market Maker is disconnected from the Virtual Trading Floor, a Floor Market Maker quote would not be considered firm if the quote were provided and the parties did not have a Meeting of the Minds with respect to the terms of the transaction.

(G) *Records*. The Exchange will retain records of the chats, Participant logs, electronic blotter, and any other records related to the Virtual Trading Floor that are subject to the Exchange’s record retention obligations under the Exchange Act.

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