

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67308; File No. SR-BOX-2012-005)

June 28, 2012

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule For Trading on BOX

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 25, 2012, BOX Options 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 Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

BOX Options Exchange LLC (the “Exchange”) proposes to amend its Fee Schedule for trading on its options facility, BOX Market LLC (“BOX”). While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on July 1, 2012. 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://boxexchange.com>.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

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 Exchange 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 examined at the places specified in Item IV below. The Exchange 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 amend its Fee Schedule. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on July 1, 2012.

The Exchange proposes to amend Market Maker Exchange Fees for Auction Transaction responses in Section I of its fee schedule to implement a tiered schedule to provide potentially discounted fees based upon a Market Maker’s monthly average daily volume (“ADV”). Market Makers will be assessed a per contract execution fee based on ADV considering all of their executed transactions on BOX as calculated at the end of each month. All executions for the month will be charged the same per contract fee according to the Market Maker’s ADV, according to the table below:

Market Maker Monthly ADV	Per Contract Fee
150,001 contracts and greater	\$0.13
100,001 contracts to 150,000 contracts	\$0.16
50,001 contracts to 100,000 contracts	\$0.18
10,001 contracts to 50,000 contracts	\$0.25
5,001 contracts to 10,000 contracts	\$0.30
1 contract to 5,000 contracts	\$0.35

This proposal will potentially lower Market Maker fees for all transactions on BOX. In particular, this may potentially lower Market Maker fees for Improvement Orders in the Price Improvement Period (“PIP”) and Responses in the Solicitation or Facilitation Auction mechanisms on BOX, allowing Market Makers to more effectively compete for customer order flow in these mechanisms. Currently, Market Makers may achieve a discounted Exchange Fee rate in these Auction Transactions as their ADV in Auction Transactions (those transactions executed through the PIP, Solicitation Auction mechanism, and Facilitation Auction mechanism) increases past certain break points (e.g., 20,000 contracts, 50,000 contracts, etc.). The proposed change would provide Market Makers a potentially discounted Exchange Fee rate for all of their BOX trades as their monthly ADV for all transactions on BOX reaches certain break points.

The Exchange believes that providing this potential discount for Market Makers in connection with their ADV considering all of their transactions on BOX rather than only their Auction Transactions will allow additional Market Makers to benefit from the potential discounts in the tiered Exchange Fee schedule, and will provide an incentive for Market Makers to potentially provide greater liquidity on BOX. The Exchange also believes this may provide an incentive for Market Makers to provide more competition in BOX Auction Transactions.

The Exchange also proposes to amend the Market Maker Tiered Fee Schedule to modify the break point tiers and increase the per contract fees for Market Makers with monthly ADV of 50,000 contracts or less. Currently, Market Makers with monthly ADV of up to 10,000 contracts pay an Exchange Fee of \$0.25, and those with ADV of 10,001 to 50,000 contracts pay \$0.20. As set forth in the table above, the Exchange proposes to increase the per contract Exchange Fee for Market Makers with monthly ADV of 10,001 to 50,000 contracts to \$0.25, increase the per contract Exchange Fee to \$0.30 for Market Makers with monthly ADV of 5,001 to 10,000

contracts, and increase the per contract Exchange Fee to \$0.35 for Market Makers with monthly ADV of 5,000 contracts or less.

The Exchange proposes to amend the Tiered Fee Schedule for Participants that initiate Auction Transactions (“Initiating Participants”). Currently, Initiating Participants pay a per contract fee, regardless of account type, that is reduced as the Participant’s monthly ADV in Auction Transactions increases past certain break points. Currently, Initiating Participants pay \$0.25 per contract for monthly ADV up to 20,000 contracts. The Exchange proposes to amend the tiers and increase the fees for those Participants with monthly ADV in Auction Transactions of 10,000 or less. The Exchange proposes to maintain the \$0.25 fee for Initiating Participants with monthly ADV of 10,001 to 20,000 contracts. Additionally, the Exchange proposes to increase the fee to \$0.30 for monthly ADV of 5,001 to 10,000 contracts, and to \$0.35 for monthly ADV of 5,000 contracts or less.

The proposed tiered fee schedule for Initiating Participants is set forth below:

Initiating Participant Monthly ADV in Auction Transactions	Per Contract Fee (All Account Types)
150,001 contracts and greater	\$0.10
100,001 contracts to 150,000 contracts	\$0.12
50,001 contracts to 100,000 contracts	\$0.15
20,001 contracts to 50,000 contracts	\$0.17
10,001 contracts to 20,000 contracts	\$0.25
5,001 contracts to 10,000 contracts	\$0.30
1 contract to 5,000 contracts	\$0.35

Finally, the Exchange proposes to increase the fee in Section I of the Fee Schedule for Broker-Dealer Improvement Orders in the PIP and Responses in the Solicitation and Facilitation Auction Mechanisms from \$0.25 to \$0.35.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁵ in general, and Section 6(b)(4) of the Act,⁶ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Options Participants and other persons using its facilities. The impact of the proposal upon the net fees paid by any particular market participant will depend on multiple variables, including whether the Participant is most active on the BOX Book or within Auction Transactions on BOX.

With regard to Market Maker exchange fees, the Exchange believes it is reasonable, equitable, and not unfairly discriminatory for BOX Market Makers to have the opportunity to benefit from potentially discounted fees based on all of their transactions on BOX. The Exchange believes that the proposed tiered and potentially discounted fees for Market Makers that on a daily basis, trade an average daily volume (as calculated at the end of the month) of more than 5,000 contracts on BOX represents a fair and equitable allocation of reasonable dues, fees, and other charges as it is aimed at incentivizing these participants to provide a greater volume of liquidity. The Exchange believes that giving incentives for this activity will result in increased liquidity on BOX, and within its auction mechanisms, to the benefit of all market participants. The increased liquidity also benefits all investors by deepening the BOX liquidity pool, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Exchange believes that the volume based discounts such as the reducing tiered execution fee proposed for Market Makers are reasonable and equitable because they are open to all Market Makers on an equal basis and provide discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity, such

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes. Finally, Market Makers have obligations that other Participants do not. In particular, they must maintain active two-sided markets in the classes in which they are appointed, and must meet certain minimum quoting requirements. As such, the Exchange believes it is reasonable and appropriate that Market Makers be charged fees on BOX that may be comparably lower than other market participants in certain circumstances, when they provide greater volumes of liquidity to the market.⁷

The Exchange believes the Market Maker fees proposed, including an increase in the fees at the bottom of the tiered schedule for Market Makers with ADV less than 10,000 contracts, are reasonable, equitable, and not unfairly discriminatory. BOX operates within a highly competitive market in which market participants can readily direct order flow to any other competing venue if they deem fees at a particular venue to be excessive. Additionally, Market Makers may choose on which markets they undertake their associated obligations and fees are a factor in their decision. The proposed Market Maker fees are intended to attract additional liquidity to BOX by offering market participants incentives to submit their quotes and orders. The Exchange believes that we are providing Market Makers a greater opportunity to receive discounted fees for their BOX transactions. To help offset the potentially discounted fees for Market Makers providing greater liquidity, the Exchange believes it is reasonable and equitable

⁷ Note that if a Market Maker has ADV over 5,000 contracts the fee that Market Maker is charged for Improvement Orders in the PIP and Responses in other Auction Transactions may be lower than a particular Broker-Dealer is charged for an Improvement Order in the PIP or Response in another Auction Transaction. Note also that if a Market Maker has ADV over 150,000 contracts, the fee that Market Maker is charged for Improvement Orders in the PIP and Responses in other Auction Transactions may be lower than a particular customer is charged for such orders. As mentioned above, the Exchange believes this is equitable and not unfairly discriminatory given a Market Maker's value in providing liquidity to the market and other related obligations in acting as a Market Maker.

to increase the fees for Market Makers with ADV less than 10,000 contracts as these Market Makers are not providing the same level of liquidity to the market.

The Exchange believes it is equitable and non-discriminatory to provide Initiating Participants the proposed fees in a tiered structure to provide potential discount related to participation in BOX Auction Transactions. The proposed fees related to trading activity in BOX Auction Transactions are available to all BOX Options Participants that initiate Auction Transactions, and they may choose to trade on BOX to take advantage of the discounted fees for doing so, or not. The Exchange also believes the proposed fees for BOX Participants initiating Auction Transactions to be reasonable.⁸ Further, the Exchange believes Participants benefit from the opportunity to aggregate their trading in the BOX Facilitation and Solicitation Auction mechanisms with their PIP transactions to attain a discounted fee tier. The tiered fee structure proposed for trading in the BOX auction mechanisms aims to attract order flow to BOX, providing greater potential liquidity within the overall BOX market, and its auction mechanisms, to the benefit of all BOX market participants.

The Exchange believes that providing a volume discount to Options Participants that initiate auctions on customer orders is appropriate to provide an incentive to BOX Participants to submit their customer orders to BOX, particularly into the PIP for potential price improvement. Such a discount is necessary to limit the exposure that Initiating Participants will have to liquidity removal fees, because as Initiating Participants they will be adding liquidity and will be charged a fee should their principal order execute against the customer order in any BOX Auction Transaction. Further, the Exchange believes it is reasonable and equitable to increase

⁸ The Exchange notes the proposed fees are comparable to fees currently in place at other exchanges. See International Securities Exchange, LLC (“ISE”) Schedule of Fees.

the fees paid by Participants that have monthly Auction Transaction ADV of 10,000 contracts or less because the fees will be comparable to that of Market Makers trading on BOX.

Further, the Exchange believes the proposed \$0.35 fee per executed contract for Broker-Dealer Improvement Orders in the PIP and Responses in the Solicitation and Facilitation Auction Mechanisms to be equitable, reasonable, and not unfairly discriminatory. The Exchange believes the proposed fee is reasonable because the Exchange does not charge broker-dealers fees other than transaction fees (e.g., ongoing systems access fees, ongoing fees for access to BOX market data, or fees related to order cancellation) as other exchanges. Additionally, the proposed increase in trading fees charged to broker-dealer proprietary accounts is designed to be comparable to the costs that such accounts would be charged at competing venues.⁹ Further, the Exchange believes that these participants that add liquidity on BOX will not be impaired by this proposed increase to fees on broker-dealer proprietary accounts. Broker-Dealer proprietary trading draws on BOX system resources and results in ongoing operational costs to BOX. As such, BOX aims to recover its costs by assessing these accounts a market competitive trading fee for BOX transactions, including Auction Transactions. The Exchange believes this proposed fee is reasonable considering, in part, that such accounts are assessed a higher fee (\$0.40) for Non-Auction Transactions on BOX. Sending orders to and trading on BOX are entirely voluntary. Under these circumstances, BOX transaction fees must be competitive to attract order flow, execute orders, and grow its market. As such, BOX believes its trading fees proposed for these Broker-Dealer orders are fair and reasonable. The Exchange believes other parts of the proposed BOX fee structure (e.g., tiered Initiating Participant fees and Liquidity Fees and Credits) will

⁹ The proposed fee is lower than that for similar orders on the ISE Schedule of Fees.

provide incentives for broker-dealers to send order flow to the BOX PIP and other auction mechanisms, even with this increased trading fee.

The Exchange believes it is equitable and not unfairly discriminatory to offer BOX Market Makers in Auction Transactions an opportunity to be charged potentially lower fees than broker-dealers. Market Makers have obligations that other Participants do not. In particular, they must maintain active two-sided markets in the classes in which they are appointed, and must meet certain minimum quoting requirements. As such, the Exchange believes it is appropriate that Market Makers be charged potentially lower transaction fees on BOX and within BOX Auction Transactions. As such, the Exchange believes the proposed fees for broker-dealers, as compared to Market Makers, is appropriate and not unfairly discriminatory because it promotes enhanced BOX market quality.

The Exchange believes that the proposed Exchange Fees will keep BOX competitive with other exchanges and apply in such a manner so as to be equitable among BOX Participants. The Exchange believes the proposed fees are fair and reasonable and must be competitive with fees in place on other exchanges. Further, the Exchange believes that this competitive marketplace impacts the fees proposed for BOX. Greater liquidity and additional volume executed on BOX aids the price and volume discovery process.

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. The Exchange believes the proposed fee changes are reasonably designed to potentially enhance competition in BOX Auction Transactions, particularly in the PIP.

The proposed fee changes modify the tiered fees charged to Initiating Participants based on

their monthly ADV in Auction Transactions. This may result in higher fees for Initiating Participants with monthly Auction Transaction ADV of less than 20,000 contracts. The proposed changes also increases the fee charged to broker-dealers for Improvement Orders in the PIP and Responses in the Solicitation and Facilitation Auction Mechanisms from \$0.25 to \$0.35. The Exchange believes this increase will not impair broker-dealers from adding liquidity and competing in Auction Transactions, so that they may gain the opportunity to interact with the customer orders seeking to remove liquidity in Auction Transactions.

Further, the proposed changes modify the tiered fees for Market Makers based on their ADV considering all of their BOX transactions. This may potentially increase or decrease any particular Market Maker's fees on BOX, including those fees for Auction Transactions, based on their monthly ADV. The Exchange believes it is likely that more Market Makers may benefit from lower fees as a result of this proposed change, lowering their cost to compete in BOX Auction Transactions.

Considering all of the above, the Exchange believes the proposed fee changes are reasonably designed to potentially enhance competition in BOX Auction Transactions, particularly in the PIP, and 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.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act¹⁰ and Rule 19b-4(f)(2) thereunder,¹¹ because it establishes or changes a due, fee, or

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

other charge applicable only to a member.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act.

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. Please include File Number SR-BOX-2012-005 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-2012-005. 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 website (<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

¹¹ 17 CFR 240.19b-4(f)(2).

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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2012-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).