

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69965; File No. SR-BOX-2013-36)

July 11, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend BOX Rule 3120 (Position Limits) and BOX Rule 3130 (Exemptions from Position Limits)

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 July 3, 2013, BOX Options Exchange LLC (“BOX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. 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

The Exchange proposes to amend BOX Rule 3120 (Position Limits) and BOX Rule 3130 (Exemptions from Position Limits). 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>.

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 examined at the places

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

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

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

On May 10, 2013 the Exchange began listing and trading options contracts overlying 1,000 SPDR® S&P 500® exchange-traded fund shares (“SPY”),<sup>3</sup> or (“Jumbo SPY Options”).<sup>4</sup> Whereas standard options contracts represent a deliverable of 100 shares of an underlying security, this product represents 1,000 SPY shares. Except for the difference in the number of deliverable shares, Jumbo SPY Options have the same terms and contract characteristics as regular-sized options contracts (“standard options”), including exercise style. Accordingly, the Commission noted in the approval order that the Exchange’s rules which apply to the trading of standard options would also apply to Jumbo SPY Options as well.<sup>5</sup> The Exchange proposes to amend the BOX Rules to clarify that position limits and the equity hedge exemption will apply to Jumbo SPY Options.

Position Limits

Pursuant to proposed Interpretive Material to Rule 3120 (IM-3120-4), positions in Jumbo SPY Options, as detailed in Rule 5050(e), shall be aggregated with positions in Mini SPY options and standard SPY options, with each Jumbo SPY Option counting as ten standard SPY option contracts or 100 Mini SPY option contracts. While there are no position limit

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<sup>3</sup> “SPDR®,” “Standard & Poor’s®,” “S&P®,” “S&P 500®,” and “Standard & Poor’s 500” are registered trademarks of Standard & Poor’s Financial Services LLC. The SPY ETF represents ownership in the SPDR S&P 500 Trust, a unit investment trust that generally corresponds to the price and yield performance of the SPDR S&P 500 Index.

<sup>4</sup> See Securities Exchange Act Release No. 34-69511 (May 3, 2013), 78 FR 27271 (May 9, 2013) (Order Approving SR-BOX-2013-06).

<sup>5</sup> Id.

requirements for Jumbo SPY, Mini SPY or standard SPY options,<sup>6</sup> the Exchange believes this aggregation is appropriate due to the position limit reporting rules that continue to apply to all Participants.<sup>7</sup>

Further, hedge exemptions will apply pursuant to Rule 3130(b), which the Exchange proposes to revise to provide that 1000 (as opposed to 100) shares of the underlying security is the appropriate hedge for Jumbo Options and to make clear that the hedge exemptions apply to the position limits set forth in IM-3120-4.<sup>8</sup> The Exchange notes that this filing is similar to proposals filed by BOX as part of the launch of “Mini Options,” which are non-standard options contracts overlying 10 shares of a security.<sup>9</sup>

#### Quarterly Options

The Exchange also proposes to clarify that Jumbo SPY Options are eligible for inclusion in the Quarterly Options Series (“QOS”) Program.<sup>10</sup> The Program allows BOX to list and trade QOS, which expire at the close of business on the last business day of a calendar quarter. Under the Program, BOX may select up to five (5) currently listed exchange traded fund (“ETF”) or index option classes on which QOS may be opened. The Exchange may list series that expire at

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<sup>6</sup> Position limits have been eliminated for options overlying SPY on a pilot basis. See Securities Exchange Act Release No. 34-67936 (September 27, 2012), 77 FR 60491 (October 3, 2012) (SR-BOX-2012-013).

<sup>7</sup> See BOX Rule 3150(b).

<sup>8</sup> Exchange Rule 3140 (Exercise Limits) refers to exercise limits that correspond to aggregate positions as described in Rule 3120 (Position Limits). Today, the position limits established in a given option under Rule 3120 is also the exercise limit for such option. Thus, although the proposed rule change would not amend the text of Rule 3140 (Exercise Limits) itself, the proposed change to add IM-3120-4 would have a corresponding effect on the exercise limits.

<sup>9</sup> See Securities Exchange Act Release No. 34-68771 (January 30, 2013), 78 FR 8208 (February 5, 2013) (Notice of Filing and Immediate Effectiveness of SR-BOX-2013-07).

<sup>10</sup> See Interpretive Material 4 to BOX Rule 5050.

the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.<sup>11</sup>

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>12</sup> in general, and Section 6(b)(5) of the Act,<sup>13</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. By submitting this proposal the Exchange is eliminating any potential confusion regarding Jumbo SPY Options, a new product listed and traded on the Exchange. The Exchange believes that the proposal will help avoid investor confusion by clarifying how the Exchange’s position limit rules will apply to Jumbo SPY Options, Mini SPY Options and standard SPY options. Finally, the Exchange believes that it is appropriate to clarify that Jumbo SPY Options are eligible for the Quarterly Options Series Program. Doing so provides investors and other market participants with a more accurate understanding of the Exchange’s rules regarding Jumbo SPY Options.

### 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. Specifically, the

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<sup>11</sup> See BOX Rule 5050(e) which provides that the Exchange may list Jumbo SPY Options on all expirations applicable to standard SPY options.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

Exchange believes that investors would benefit from the introduction and availability of Jumbo SPY Options by making options on large blocks of the SPY ETF more available as an investing tool, particularly for institutional investors. Trading in Jumbo SPY Options is entirely voluntary and Participants can determine if they would like to trade in this new product.

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

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposed rule change may become operative immediately. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has fulfilled this requirement.

interest.<sup>16</sup> Trading in Jumbo SPY Options has already commenced and waiver of the operative delay will allow the Exchange to immediately implement its proposal. For these reasons, the Commission designates the proposed rule change as operative upon filing.

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 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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2013-36 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-2013-36. 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

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<sup>16</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 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-2013-36 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.<sup>17</sup>

Elizabeth M. Murphy  
Secretary

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