

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70138; File No. SR-BOX-2013-40)

August 8, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Fees for Jumbo SPY Option Transactions

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 1, 2013, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (the “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

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule to amend fees for Jumbo SPY Option transactions on the BOX Market LLC (“BOX”) options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on August 1, 2013. 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

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).

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 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, Proposed Rule Change

1. Purpose

The Exchange began listing and trading a new options product, Jumbo SPY Options,⁵ on May 10, 2013.⁶ 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. The purpose of this filing is to amend the transaction fees to further promote trading in Jumbo SPY Options.

Section I. Exchange Fees

The Exchange proposes to remove the Exchange Fees for Jumbo SPY Option transactions. Currently the Exchange assesses a distinct fee for both Auction and Non-Auction Transactions in Jumbo SPY Options based on account type. The Exchange proposes to amend

⁵ Option contracts overlying 1,000 shares of the SPDR[®] S&P[®] 500 Exchange-Traded Funds. “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.

⁶ See Securities Exchange Act Release No. 69511 (May 03, 2013) 78 FR 27271 (May 9, 2013)(Order Approving SR-BOX-2013-06).

this category and assess a \$0.00 per Jumbo SPY Option contract fee for all account types. Specifically, the Exchange proposes to lower the per-contract fee for Professional Customers and Broker-Dealers from \$0.25 to \$0.00. For Market Makers, the Exchange proposes to lower the per-contract fee from \$0.25 or the tiered per-contract execution fee based upon the Participant's monthly average daily volume ("ADV") to \$0.00. The \$0.00 per contract fee for Public Customers will not change.

Jumbo SPY Options transactions will continue to count the same as standard options transactions for the purposes of ADV under Section I.A. and I.B. For example, a Broker-Dealer initiating a Jumbo SPY Option Primary Improvement Order would be charged according to the proposed Jumbo SPY Options transaction sub-section outlined above, or \$0.00. However, this transaction would count toward that Broker-Dealer's ADV in Auction Transactions under Section I.A.

Section II. Liquidity Fees and Credits

The Exchange currently assesses liquidity fees and credits for all options classes traded on BOX (unless explicitly stated otherwise) that are applied in addition to any applicable Exchange Fees as described above. The Exchange proposes to amend Section II. (Liquidity Fees and Credits) to adopt a pricing model for Jumbo SPY Options where the Exchange will credit liquidity providers and assess a fee on liquidity takers. Specifically, the Exchange proposes to assess a \$0.30 credit for Jumbo SPY Options transactions that add liquidity and charge a \$0.50 fee for Jumbo SPY Options transactions that remove liquidity. These fees and credits would apply to both Auction and Non-Auction transactions in Jumbo SPY Options.

The Exchange notes that the liquidity pricing proposed for Jumbo SPY Options is different from the liquidity pricing currently in place under Section II. The pricing model

proposed above for Jumbo SPY Options is commonly known as a “Make/Take” model; for all other options classes the Exchange has adopted a “Take/Make” model whereby orders that add liquidity to the BOX Book are charged a fee, and orders that remove liquidity receive a credit. The Exchange believes the “Make/Take” model is more appropriate to promote liquidity for the Jumbo SPY Options product. Jumbo SPY Options were designed to help institutional investors mitigate the risks inherent in managing large portfolios,⁷ and these investors are more familiar with being rewarded for providing liquidity.⁸

Accordingly, the Exchange also proposes to remove the statement in Section II.E. (Exempt Transactions) which exempts Jumbo SPY Options transactions from liquidity fees and credits.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁹ in general, and Sections 6(b)(4) and 6(b)(5) of the Act,¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

Exchange Fees

The Exchange believes it is reasonable and equitable to lower all Exchange Fees for Jumbo SPY Options to \$0.00. This is a new options product and assessing a lower fee than

⁷ Id.

⁸ The “Make/Take” model is currently used by the Chicago Board Options Exchange Incorporated (“CBOE”), the International Securities Exchange LLC (“ISE”) and NASDAQ OMX PHLX LLC. (“PHLX”).

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

would otherwise apply will help generate additional trading in Jumbo SPY Options. The Exchange also believes it is equitable and not unfairly discriminatory to charge no Exchange Fees for Jumbo SPY Options as this applies equally to all Participants on the Exchange.

Liquidity Fees and Credits

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to adopt liquidity fees and credits for Jumbo SPY Options because pricing by symbol is a common practice on many U.S. options [sic] as a means to incentivize order flow.¹¹

The Exchange's proposed Jumbo SPY Options fees and credits, which are commonly known as a "Make/Take" pricing model, are reasonable because the Exchange desires to incentivize market participants to transact a greater number of Jumbo SPY Options. The Exchange is offering pricing specific to Jumbo SPY Options because this is a new options product offered only on the Exchange, and the Exchange believes adopting this type of pricing model will increase liquidity in Jumbo SPY Options by incentivizing participants to provide more order flow in this product, ultimately benefiting all market participants through increased liquidity, tighter markets and increased order interaction.

The Exchange believes it is reasonable for Participants to be charged a higher fee for orders removing liquidity in Jumbo SPY Options transactions when compared to the credit they will receive for orders that add liquidity. As stated above, this is a common model in the options industry. Further, the Exchange's proposed pricing model for Jumbo SPY Options is equitable and not unfairly discriminatory as these liquidity fees and credits apply equally to all Participants and across all account types on the Exchange.

¹¹ See supra, note 8.

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 that removing all Exchange fees and adopting a “Make/Take” pricing model for Jumbo SPY Options will encourage order flow to be directed to the Exchange, which will benefit all market participants by increasing liquidity on the Exchange. Specifically, the Exchange believes this will incentivize market participants to trade this new product and will not impose a burden on competition among various market participants on the Exchange but rather will continue to promote competition on the Exchange.

The Exchange believes that the adopting of the proposed fees for Jumbo SPY Options will not impose any unnecessary burden on intermarket competition because even though Jumbo SPY Options are currently only listed on the Exchange, the Exchange operates in a highly competitive market comprised of eleven exchanges, any of which may determine to trade a similar product. Also, Jumbo SPY Options should result in increased options volume and greater trading opportunities for all market participants.

The Exchange also believes that adopting fees on Jumbo SPY Options will not impose a burden on competition among various market participants on the Exchange. The proposed fees apply equally to all Participants and across all account types on the Exchange.

Accordingly, the fees that are assessed by the Exchange described in the above proposal are influenced by these robust market forces and therefore must remain competitive with fees charged by other venues for other products, and therefore must continue to be reasonable and equitably allocated.

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 Act¹² and Rule 19b-4(f)(2) thereunder,¹³ because it establishes or changes a due, or fee, or 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 the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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. Please include File Number SR-BOX-2013-40 on the subject line.

¹² 15 U.S.C. 78s(b)(3)(A)(ii).

¹³ 17 CFR 240.19b-4(f)(2).

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-2013-40. 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 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 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; 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-2013-40 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.¹⁴

Kevin M. O'Neill
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).