

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70726; File No. SR-BOX-2013-50)

October 21, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend BOX Rules 4020 (Opening of Accounts), 4050 (Discretionary Accounts), and 4060 (Confirmation to Public Customers) to Conform to the Corresponding Rules of FINRA

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 9, 2013, BOX Options Exchange LLC (the “Exchange” or “BOX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. BOX has designated the proposed rule change as constituting a “non-controversial” rule change under Exchange Act Rule 19b-4(f)(6),<sup>3</sup> which renders the proposal effective upon receipt of this filing by 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 proposes to amend the BOX Rules to conform to the corresponding rules of the Financial Industry Regulatory Authority, Inc. (“FINRA”). 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

---

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend BOX Rules 4020 (Opening of Accounts), 4050 (Discretionary Accounts), and 4060 (Confirmation to Public Customers) to conform to the corresponding rules of FINRA.<sup>4</sup> The Exchange believes the proposed amendments would clarify to Order Flow Providers (“OFPs”) their requirements with respect to supervision of their public customer options business and confirmations to public customers. In addition, the Exchange believes that the proposed amendments would align the Exchange’s rules with FINRA’s rules, thereby facilitating FINRA’s enforcement of the Exchange’s rules.

First, the Exchange proposes to amend BOX Rule 4020(f)(3) to clarify the person responsible for approving accounts that do not meet the specific criteria and standards for writing uncovered short options transactions and for maintaining written records of the reasons for every account so approved. Specifically, the Exchange proposes to replace the terms “Senior Options Principal and/or Compliance Options Principal” with the term “a specific Options Principal(s).” The terms “Senior Options Principal and/or Compliance Options Principal” are not used anywhere else in the BOX Rules, while the term “Options Principal” is used in similar provisions

---

<sup>4</sup> See FINRA Rule 2360(b)(12), (16), and (18).

and is already defined in the BOX Rules.<sup>5</sup> The new term would have the same significance as the terms it is replacing, as the Exchange currently treats these three terms interchangeably when deciding if the OFP has met its supervision requirements. Moreover, the Exchange believes that using the term “a specific Options Principal(s)” in Rule 4020(f)(3) would align its rule with the corresponding FINRA rule,<sup>6</sup> thereby facilitating FINRA’s enforcement of the Exchange’s rules.

In addition, the Exchange proposes to amend Rule 4050. First, the Exchange proposes to remove section (a)(2). The Exchange believes that the requirement found in section (a)(2) – that each discretionary order be reviewed and approved on a daily basis – is no longer necessary and consequently overly burdensome. Second, the Exchange proposes to add a new section to Rule 4050, entitled “*Discretion as to Price or Time Excepted*”. The Exchange believes that adding this section would clarify the duration and circumstances surrounding a price and time discretion exemption as well as facilitate FINRA’s enforcement of the BOX Rules. In addition, the Exchange believes that removing section (a)(2) and adding the new language would align BOX Rule 4050 with the corresponding FINRA rule,<sup>7</sup> thereby facilitating FINRA’s enforcement of the Exchange’s rules.

Finally, the Exchange proposes to add language to Rule 4060(b) to state that written confirmations relating to options transactions do not need to specify the exchange or exchanges on which an option is executed. The Exchange believes that requiring written confirmations relating to options transactions specify the exchange or exchanges on which an option is executed is overly burdensome in light of the recent increase in order routing to away

---

<sup>5</sup> See BOX Rule 100(a)(41).

<sup>6</sup> FINRA Rule 2360(b)(16)(E)(iii).

<sup>7</sup> FINRA Rule 2360(b)(18)(A)(ii).

exchanges.<sup>8</sup> Furthermore, even with this information removed from the transaction confirmation, a Public Customer would be able to receive this detail upon request. Finally, the Exchange believes that this change would help FINRA enforce the BOX Rules by aligning Rule 4060(b) with the corresponding FINRA rule.<sup>9</sup>

The Exchange believes the proposed rule change would provide greater certainty to OFPs regarding the Exchange's rules by aligning them more closely with the corresponding FINRA rules. Moreover, the Exchange believes that aligning these rules more closely with the corresponding FINRA rules would aid in FINRA's enforcement of the Exchange's rules. Finally, the Exchange believes the proposed rule change would remove provisions that are no longer necessary and are now overly burdensome.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Exchange Act Section 6(b),<sup>10</sup> in general, and Exchange Act Section 6(b)(5),<sup>11</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

---

<sup>8</sup> The Exchange is a participant in the Options Order Protection and Locked/Crossed Market Plan ("Plan"). The Plan requires the Participating Options Exchanges to adopt rules "reasonably designed to prevent Trade Throughs." Under the Plan, the Exchange cannot execute orders at a price that is inferior to the National Best Bid and Offer, nor can the Exchange place an order on its books that would cause the Exchange's best bid or offer to lock or cross another exchange's quote. If the Exchange cannot execute or book an order, it will route the order to an Away Exchange on behalf of the Options Participant who submitted the Eligible Order through a third-party broker dealer.

<sup>9</sup> FINRA Rule 2360(b)(12).

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

of a free and open market and a national market system, and, in general to protect investors and the public interest.

In particular, the Exchange believes the proposed rule change would promote consistency between the Exchange's rules and FINRA's rules and provide uniform rules governing how OFPs conduct business with the public. By promoting consistency with FINRA's rules, the Exchange believes the proposed rule change would facilitate FINRA's enforcement of the Exchange's rules. By providing uniform rules governing how OFPs conduct business with the public, the Exchange believes the proposed rule change would foster certainty for market participants. Accordingly, the Exchange believes that the proposed rule change would promote a free and open market and a national market system and the protection of investors and the public interest.

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

As stated above, the Exchange believes that the proposed rule change would clarify certain provisions of the Exchange's rules and make them substantially similar to the corresponding FINRA rules.<sup>12</sup> Specifically, the Exchange believes the proposed rule change is necessary to establish uniform rules regarding how OFPs conduct business with the public. The Exchange does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. In this regard, the Exchange does not believe the proposed rule change would impose any burden on any intramarket competition as it applies to all OFPs. In addition, the Exchange does not believe the proposed rule change would bring any unnecessary burden on intermarket competition as it is consistent with the corresponding FINRA rules. Therefore, the

---

<sup>12</sup> See supra note 4.

Exchange does not believe the proposed rule change would impose a burden on competition.

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 proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Exchange Act Section 19(b)(3)(A)<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

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. 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

---

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). Pursuant to Exchange Act Rule 19b-4(f)(6)(iii), the Exchange is required to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of the filing of the proposed rule change, or such shorter time as designated by the Commission. The Commission has determined to waive the requirement that the Exchange provide the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange 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-2013-50 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-2013-50. 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, on official business days between the hours of 10:00 a.m. and 3:00 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; 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-2013-50 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>15</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>15</sup> 17 CFR 200.30-3(a)(12).