

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73397; File No. SR-BOX-2014-24)

October 21, 2014

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Market LLC (“BOX”) Options Facility

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 9, 2014, 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 the 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 on the BOX Market LLC (“BOX”) options facility. 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

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).

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 make a number of changes to the BOX Fee Schedule.

Select Symbols

First, the Exchange proposes to amend Section I (Exchange Fees) to establish a subsection entitled “Select Symbols.” The following symbols will be considered Select Symbol for purposes of the Fee Schedule:

Penny Classes	Non-Penny Classes				
SPY	GPRO	RAD	VHC	PANW	HRB
AAPL	GTAT	MBLY	MPEL	NUGT	QEP
IWM	PCLN	CBS	SVXY	JD	OREX
YHOO	FEYE	SPLS	INVN	DG	SWKS
QQQ	GOOGL	RSX	ABBV	ESV	GLNG
EEM	HYG	QIHU	UA	RAX	IRM
BAC	SDRL	AVNR	LOCO	YELP	KERX
VXX	VNET	OIH	CMG	ACHN	SNSS
FB	GOOG	EPI	AZN	NPSP	KNDI
TWTR	HTZ	END	KORS	SPLK	GDP

Non-Auction Transactions in Select Symbols

The Exchange then proposes to establish a separate exchange fee structure for Non-Auction Transactions⁵ in these Select Symbols that are different from the fees for non-auction

⁵ Non-Auction Transactions are those transactions executed on the BOX Book.

transactions in all other symbols. Currently, non-auction transactions in all securities are subject to the fee structure outlined in Section I of the BOX Fee Schedule. For every non-auction transaction Public Customers are assessed a \$0.07 fee per contract, and Professional Customers and Broker Dealers \$0.42 per contract. Market Makers are assessed a per contract fee based upon the Market Maker's Monthly ADV in all transactions executed on BOX, as calculated at the end of each month. All non-auction executions for that month are charged the same per contract fee according to the ADV achieved by the Market Maker, which ranges from \$0.13 to \$0.35.

In proposed Section I.C.1, (Non-Auction Transactions in Select Symbols), the Exchange proposes to adopt a pricing model where the Exchange will assess transaction fees and credits dependent upon two factors: (i) the account type of the Participant submitting the order and if the Participant is a liquidity provider or liquidity taker; and (ii) the account type of the contra party and if the contra party is a liquidity provider or liquidity taker. Transactions in Penny Pilot Classes will also be assessed different fees or credits than transactions in Non-Penny Pilot Classes.

The Exchange also proposes to specify that these transactions will now be exempt from the Liquidity Fees and Credits outlined in Section II of the BOX Fee Schedule. The proposed fee structure is as follows:

		Penny Pilot Classes		Non-Penny Pilot Classes	
Account Type	Contra Party	Maker Fee/Credit	Taker Fee/Credit	Maker Fee/Credit	Taker Fee/Credit
Public Customer	Public Customer	\$0.00	\$0.00	\$0.00	\$0.00
	Professional Customer/ Broker Dealer	(\$0.22)	(\$0.22)	(\$0.57)	(\$0.57)

	Market Maker	(\$0.22)	(\$0.22)	(\$0.57)	(\$0.57)
Professional Customer or Broker Dealer	Public Customer	\$0.55	\$0.59	\$0.90	\$0.94
	Professional Customer/ Broker Dealer	\$0.20	\$0.35	\$0.30	\$0.35
	Market Maker	\$0.20	\$0.39	\$0.30	\$0.39
Market Maker	Public Customer	\$0.51	\$0.55	\$0.85	\$0.90
	Professional Customer/Broker Dealer	\$0.00	\$0.05	\$0.00	\$0.10
	Market Maker	\$0.10	\$0.29	\$0.10	\$0.29

For example, if a Public Customer submitted an order to the BOX Book in a Penny Pilot Select Symbol (making liquidity) the Public Customer would be credited \$0.22 if the order interacted with a Market Maker's order, and the Market Maker (taking liquidity) would be charged \$0.55. To expand on this example, if the Market Maker instead submitted an order to the BOX Book in a Penny Pilot Select Symbol (making liquidity) the Market Maker would be charged \$0.51 if the order interacted with a Public Customer's order and the Public Customer (taking liquidity) would again be credited \$0.22.

Tiered Volume Rebate for Non-Auction Transactions in Select Symbols

Finally, the Exchange proposes to introduce a tiered volume-based rebate for Market Makers and Public Customers in Non-Auction Transactions in Select Symbols. Specifically, Market Makers and Public Customers will receive a per contract rebate based on ADV considering all transactions executed on BOX by the Market Maker or Public Customer, respectively, as calculated at the end of each month. All Non-Auction Transactions in Select

Symbols for that month will receive the same per contract rebate according to the ADV achieved by the Market Maker or Public Customer. The new per contract rebate for Market Makers and Public Customers in Non-Auction Transactions in Select Symbols as set forth in Section I.C.2. of the BOX Fee Schedule will be as follows:

Market Maker Monthly ADV	Per Contract Rebate
100,001 contracts and greater	(\$0.15)
60,001 contracts to 100,000 contracts	(\$0.10)
35,001 contracts to 60,000 contracts	(\$0.07)
10,001 contracts to 35,000 contracts	(\$0.03)
1 contract to 10,000 contracts	\$0.00

Public Customer Monthly ADV	Per Contract Rebate
35,001 contracts and greater	(\$0.10)
15,001 contracts to 35,000 contracts	(\$0.06)
5,001 contracts to 15,000 contracts	(\$0.03)
1 contract to 5,000 contracts	\$0.00

Liquidity Fees and Credits

BOX proposes to simplify the categories for Liquidity Fees and Credits in PIP and COPIP Transactions. Currently the Exchange separates these into two categories: symbols with a Minimum Price Variation of 1 cent (Penny Pilot classes where trade price is less than \$3.00, and all series in QQQ, SPY & IWM), and symbols with a Minimum Price Variation of greater than 1 cent (All Non-Penny Pilot classes and Penny Pilot classes where trade price is equal to or greater than \$3.00, excluding QQQ, SPY & IWM). The Exchange proposes to remove these and simply separate these fees and credits into Penny Pilot Classes and Non-Penny Pilot Classes:

PIP and COPIP Transactions	Fee for Adding Liquidity (All Account Types)	Credit for Removing Liquidity (All Account Types)
Penny Pilot Classes	\$0.35	(\$0.35)
Non-Penny Pilot Classes	\$0.75	(\$0.75)

This proposed change will mean that the liquidity fees and credits for auction transactions

in Penny Pilot classes where the trade price is equal to or greater than \$3.00 will now be charged a \$0.35 fee for adding liquidity (instead of \$0.75) or receive a \$0.35 credit for removing liquidity (instead of a \$0.75 credit). These are the only classes impacted by this proposed change.

Additionally, the Exchange proposes to specify in Section II.C. (Exempt Transactions) that Non-Auction Transactions in Select Symbols will be considered exempt from all liquidity fees and credits.

Jumbo SPY Options

The Exchange also proposes to remove all references to Jumbo SPY from the Fee Schedule. Jumbo SPY Options were moved to closing only in June 2014 and any future transactions in Jumbo SPY Options before the final expiration in January 2015 will be assessed the applicable standard contract fee for purposes of the Fee Schedule.

Finally, the Exchange is proposing to make additional non-substantive changes to the Fee Schedule. Specifically, the Exchange is renumbering certain footnotes to accommodate the proposed changes above to the Fee Schedule.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,⁶ 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. The proposed changes will allow the Exchange to be competitive with other exchanges and to apply fees and credits in a manner that is equitable among all BOX Participants. Further, the Exchange operates within a highly competitive market

⁶ 15 U.S.C. 78f(b)(4) and (5).

in which market participants can readily direct order flow to any other competing exchange if they determine fees at a particular exchange to be excessive.

Select Symbols

The Exchange believes establishing separate fee and credits for the Select Symbols is reasonable. The symbols chosen were the top ten most active Penny Pilot Symbols and top fifty most active Non-Penny Pilot Symbols (excluding flex options) based on OCC volume across all exchanges for the previous month. Further, at least one other exchange currently uses a fee structure with Select Symbols based on the volume of the symbols.⁷ The Exchange chose these high volume symbols to encourage Participants to direct greater non-auction trade volume to the Exchange. Increased volume will provide greater liquidity, which will benefit all market participants on the Exchange. Further, the Exchange believes it is equitable and not unfairly discriminatory to establish these Select Symbols, as all Participants have the ability to submit orders in Select Symbols to the Exchange.

Non-Auction Transactions in Select Symbols

The Exchange believes establishing a different fee structure for Non-Auction transactions in Select Symbols is reasonable, equitable and not unfairly discriminatory. The proposed fee structure is intended to attract order flow to the Exchange by offering all market participants incentives to submit their orders in these symbols to the Exchange. The practice of providing additional incentives to increase order flow in high volume symbols is, and has been, a common practice in the options markets.⁸ Further, the Exchange believes it is appropriate to provide

⁷ See the Miami International Securities Exchange, LLC (“MIAX”) Fee Schedule, specifically the Priority Customer Rebate Program.

⁸ See International Securities Exchange LLC (“ISE”) Schedule of Fees, page 6 (providing reduced fee rates for making liquidity in Select Symbols); NASDAQ OMX PHLX, (“PHLX”), Pricing Schedule Section I (providing a rebate for adding liquidity in

incentives for market participants, which will result in greater liquidity and ultimately benefit all Participants trading on the Exchange.

The Exchange also believes it is equitable, reasonable and not unfairly discriminatory to assess fees and credits according to the account type of the Participant originating the order and the contra party. This proposed fee structure is similar to the model adopted by the Exchange for Complex Orders Fees⁹ and has been accepted by both the Commission and the industry.¹⁰ The result of this structure is that a Participant does not know the fee it will be charged when submitting a Complex Order. Therefore, the Participant must recognize that it could be charged the highest applicable fee on the Exchange's schedule, which may, instead, be lowered or changed to a credit depending upon how its Complex Order interacts. This structure has been favorably received by the industry and the Exchange is proposing to apply a similar structure to Non-Auction transactions in Select Symbols. After adopting this type of structure for non-auction transactions in Select Symbols a Public Customer submitting an order in a Select Symbol on the BOX Book will recognize that it will not pay a fee for these transactions, and that depending on with whom the order executes, the Public Customer may receive an additional benefit for submitting the order. Likewise, a Professional Customer or Broker Dealer submitting an order in a Select Symbol will recognize that it will not be charged more than \$0.59 in penny pilot issues and \$0.94 in non-penny pilot issues. The same is true for Market Makers, who will

SPY); NYSE Arca, Inc ("Arca") Fees Schedule, page 4 (section titled "Customer Monthly Posting Credit Tiers and Qualifications for Executions in Penny Pilot Issues."

⁹ See Securities Exchange Act Release No. 71312 (January 15, 2014), 79 FR 3649 (January 22, 2014)(Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule To Establish Fees for Complex Order Price Improvement Period ("COPIP") Transactions).

¹⁰ This type of structure was also adopted by NYSE Arca in 2012. See Securities Release No. 68405 (December 11, 2012), 77 FR 74719 (December 17, 2012) (SR-NYSEArca-2012-137).

recognize that their maximum charge when submitting an order in a Select Symbol will be \$0.55 in penny pilot issues and \$0.90 in non-penny pilot issues.

The Exchange believes that the proposed fees and credits for Public Customers in non-auction transactions in Select Symbols are reasonable. Under the proposed fee structure Public Customers will either pay a Make fee of \$0.00 or receive a Make/Take credit of \$0.22 for penny pilot classes and \$0.57 for non-penny pilot classes. These potential fees and credits are reasonable and will at all times be less than the current \$0.07 Exchange Fee that Public Customers pay in non-auction transactions.

The Exchange believes providing a credit or charging no fee to Public Customers for all Non-Auction Transactions in Select Symbols is equitable and not unfairly discriminatory. The securities markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for public customer benefit. Accordingly, the Exchange believes that charging no fee or providing a credit for Public Customers is appropriate and not unfairly discriminatory. Public Customers are less sophisticated than other Participants and the credit will help to attract a high level of Public Customer order flow to the BOX Book and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

Finally, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to give Public Customers a credit when their orders in Select Symbols execute against a non-Public Customer and, accordingly, charge non-Public Customers a higher fee when their orders in Select Symbols execute against a Public Customer. As stated above, the Exchange aims to improve markets by developing features for the benefit of its public customers. Similar to the payment for order flow and other pricing models that have been adopted by the Exchange and

other exchanges to attract Public Customer order flow, the Exchange increases fees to non-Public Customers in order to provide incentives for Public Customers. The Exchange believes that providing incentives for non-auction select symbol transactions by Public Customers is reasonable and, ultimately, will benefit all Participants trading on the Exchange by attracting Public Customer order flow.

The Exchange believes that charging Professional Customers and Broker Dealers higher fees than Public Customers for non-auction transactions in Select Symbols is equitable and non-unfairly discriminatory. Professional Customers, while Public Customers by virtue of not being Broker Dealers, generally engage in trading activity more similar to Broker Dealer proprietary trading accounts (submitting more than 390 standard orders per day on average). The Exchange believes the higher level of trading activity from these Participants will draw a greater amount of BOX system resources than that of non-professional, Public Customers. Because this higher level of trading activity will result in greater ongoing operational costs, the Exchange aims to recover its costs by assessing Professional Customers and Broker Dealers higher fees for transactions.

The Exchange also believes it is equitable and not unfairly discriminatory for BOX Market Makers to be assessed lower fees than Professional Customers and Broker Dealers for non-auction transactions in Select Symbols because of the significant contributions to overall market quality that Market Makers provide. Specifically, Market Makers can provide higher volumes of liquidity, and lowering their fees will help attract a higher level of Market Maker order flow to the BOX Book and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX. As such, the Exchange believes it is appropriate that Market Makers be charged lower transaction fees than Professional Customers and Broker

Dealers for non-auction transactions in Select Symbols.

The Exchange believes that the proposed fees and credits for all other Participants in non-auction transactions in Select Symbols are reasonable. Under the proposed fee structure a Professional Customer or Broker Dealer making liquidity and interacting with a non-Public Customer will either be charged a fee of \$0.20 for Penny Pilot Classes, or \$0.30 for Non-Penny Pilot Classes. If the Professional Customer or Broker Dealer is instead taking liquidity in either Penny Pilot or Non-Penny Pilot Classes, it will be charged \$0.35 if it interacts with a Professional Customer or Broker Dealer, and \$0.39 if it interacts with a Market Maker. The Exchange believes the fees listed above are reasonable as they are lower than the current \$0.42 Exchange Fee charged to Broker Dealers and Professional Customers in non-auction transactions.

Similarly, in the proposed fee structure a Market Maker making liquidity in both Penny Pilot and Non-Penny Pilot Classes will either be charged a fee of \$0.00 for interacting with a Professional Customer or Broker Dealer, or \$0.10 for interacting with another Market Maker. If the Market Maker is instead taking liquidity, it will be charged \$0.05 (for Penny Pilot Classes) and \$0.10 (for Non-Penny Pilot Classes) if it interacts with a Professional Customer or Broker Dealer. If a Market Maker is taking liquidity and interacts with another Market Maker will be charged \$0.29 in all situations. The Exchange believes the fees listed above are reasonable as they are in most situations lower than the current \$0.13 to \$0.35 Exchange Fee range for Market Makers under the BOX Fee Schedule, and are in line with what is currently charged by the industry.¹¹

¹¹ Many U.S. Options Exchanges do not differentiate their fees between auction and non-auction transactions. However, the general range for Market Maker fees is between \$0.10 and \$0.89. See NASDAQ OMX BX (“BX”) Options Pricing, Chapter XV, Sec. 2; BX

The Exchange believes it is reasonable, equitable and not unfairly discriminatory for Professional Customers, Broker Dealers and Market Makers to be charged higher fees for both making and taking liquidity when interacting with Public Customers. In the proposed fee structure a Professional Customer or Broker Dealer interacting with a Public Customer will be charged a \$0.55 maker fee or \$0.59 taker fee for Penny Pilot Classes and a \$0.90 maker fee or \$0.94 taker fee for non-Penny Pilot Classes. Similarly a Market Marker interacting with a Public Customer will be charged a \$0.51 maker fee or \$0.55 taker fee for Penny Pilot Classes and a \$0.85 maker fee or \$0.90 taker fee for non-Penny Pilot Classes. While these fees are higher than what these Participants are currently charged for non-auction transactions, the Exchange believes they are reasonable as they are in line when compared [sic] similar fees in the options industry.¹² Further, as stated above the Exchange believes charging a higher fee for interactions with a Public Customer is equitable and not unfairly discriminatory because it allows the Exchange to incentivize Public Customer order flow by offering credits to Public Customers transacting in Select Symbols. The Exchange believes that providing incentives for non-auction select symbol transactions by Public Customers will benefit all Participants trading on the Exchange by attracting this Public Customer order flow.

charges both BX Options Market Makers and Non-Customer/Non-BX Options Market Makers a fee of \$0.46 to remove liquidity in Penny Pilot Options and a fee of \$0.89 to remove liquidity in Non-Penny Pilot Options, a fee to add liquidity in Penny Pilot Options of \$0.40 to BX Options Market Makers and \$0.45 to Non-Customer/Non-BX Options Market Makers, and a fee to add liquidity in Non-Penny Pilot Options of \$0.50 to BX Options Market Makers (or \$0.85 when interacting with Customer) and \$0.88 for Non-Customer/Non-BX Options Market Makers. See NYSE Arca Options (“Arca”) Fees and Charges page 3; Arca charges NYSE Arca Market Makers \$0.16 for manual executions, \$0.49 to take liquidity in Penny Pilot Issues, and \$0.87 to take liquidity in Non Penny Pilot Issues. See International Securities Exchange (“ISE”) Schedule of Fees, Section I; ISE charges Market Makers \$0.10 for making liquidity in select symbols and \$0.42 for taking liquidity in select symbols.

¹² Id. Professional Customer and Broker Dealers are also charged anywhere from \$0.10 to \$0.89 within the option exchange fee schedules referenced above.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory for Professional Customers, Broker Dealers and Market Makers to be charged a higher fee for orders removing liquidity when compared to the fee they receive for orders that add liquidity. Charging a lower fee for orders that add liquidity will promote liquidity on the Exchange and ultimately benefit all participants on BOX. Further, the concept of incentivizing orders that add liquidity over orders that remove liquidity is commonly accepted within the industry as part of the “Make/Take” liquidity model.¹³

Further, the Exchange believes it is equitable and not unfairly discriminatory to charge the Professional Customer or Broker Dealer more for taking liquidity against a Market Maker than they are charged for taking liquidity against other Professional Customers or Broker Dealers. As stated above, the Exchange proposes to provide certain incentives to Market Makers because of the high volumes of liquidity they can provide, and increasing fees for Professional Customers and Broker Dealers taking liquidity will allow the Exchange to offer these incentives, ultimately benefiting all Participants trading on BOX.

Finally, the Exchange also believes it is reasonable to charge Professional Customers, Broker Dealers, and Market Makers less for certain executions in penny pilot issues compared to non-penny pilot issues because these classes are typically more actively traded; assessing lower fees will further incentivize order flow in Penny Pilot issues on the Exchange, ultimately benefiting all Participants trading on BOX. Additionally, the Exchange believes it is reasonable to give a greater credit to Public Customers for non-auction Select Symbol executions in non-penny pilot issues as compared to penny pilot issues. These classes have wider spreads and are less actively traded; and giving a larger credit will further incentivize Public Customers to trade

¹³ The “Make/Take” model is currently used by the International Securities Exchange LLC. [sic] (“ISE”) and NASDAQ OMX PHLX LLC. [sic] (“PHLX”).

in these classes, ultimately benefitting all Participants trading on BOX.

The Exchange believes that the proposed Select Symbol non-auction transactions fee structure will keep the Exchange competitive with other exchanges and will be applied in an equitable manner among all BOX Participants. The Exchange believes the proposed fee structure is reasonable and competitive with fee structures in place on other exchanges. Further, the Exchange believes that the competitive marketplace impacts the fees proposed for BOX.

Tiered Volume Rebate for Non-Auction Transactions in Select Symbols

BOX believes it is reasonable, equitable and not unfairly discriminatory to introduce tiered volume based rebates for Market Makers and Public Customers in non-auction transactions in Select Symbols. Other exchanges employ similar incentive programs,¹⁴ and the Exchange believes that its proposed volume thresholds and rebates are reasonable and competitive when compared to incentive structures at other exchanges.

Additionally, the Exchange believes that the proposed volume thresholds are reasonable because they will incentivize Public Customers and Market Makers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange. The Exchange believes that its proposed volume threshold and rebate is competitive when compared to rebate structures at other exchanges.

The Exchange also believes it is equitable and not unfairly discriminatory to only adopt these structures for Public Customers and Market Makers. The proposed volume credits are

¹⁴ See Section B of the Phlx Pricing Schedule entitled “Customer Rebate Program” and CBOE’s Volume Incentive Program (VIP). CBOE’s Volume Incentive Program (“VIP”) pays certain tiered rebates to Trading Permit Holders for electronically executed multiply-listed option orders which include AIM orders. Note that these exchanges base these rebate programs on the percentage of total national Public Customer volume traded on their respective exchanges, which the Exchange is not proposing to do.

intended to further encourage Public Customer and Market Maker order flow to the Exchange in these high volume symbols. Increased Public Customer and Market Maker volume will provide greater liquidity, which benefits all market participants on the Exchange. The practice of incentivizing increased Public Customer order flow is common in the options markets. Further, Market Makers also provide significant contributions to overall market quality. Specifically, Market Makers can provide high volumes of liquidity, and potentially lowering their transaction fees in Select Symbols will help attract a higher level of Market Maker order flow and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

Liquidity Fees and Credits

The Exchange believes it reasonable, equitable and non-discriminatory to simplify the Liquidity Fees and Credits for Auction Transactions by removing the Minimum Price Variation distinction to separate the applicable fees and credits by Penny Pilot Classes and Non-Penny Pilot Classes. The current categories separate the fees and credits into transactions where 1) the Minimum Price Variation of \$0.01 (Penny Pilot Classes where the trade price is less than \$3.00, and all series in QQQ, SPY, and IWM); and 2) the Minimum Price Variation is greater than \$0.01 (i.e., all non-Penny Pilot Classes, and Penny Pilot Classes where the trade price is equal to or greater than \$3.00, excluding QQQ, SPY, and IWM). The Exchange believes that changing these to Penny Pilot Classes and Non-Penny Pilot Classes is reasonable as it will reduce investor confusion as to what fee or credit is applicable. While delineating between classes within pricing structures is common at most other options exchanges, BOX is the only exchange that makes a Minimum Price Variation distinction and changing this to Penny Pilot vs. Non-Penny Pilot will allow investors to more quickly determine the applicable fees and credits. Further, while the Exchange recognizes this proposal will result in certain classes being charged or credited

different liquidity fees and credits (Penny Pilot classes where the trade price is equal to or greater than \$3.00), the Exchange believes it is reasonable to make this adjustment because within these classes there is a fundamental difference in the liquidity and quoted spreads between options that are quoted in penny increments and those that are not. Additionally, these classes will in actuality receive a lower charge or rebate than under the current structure. Finally, the Exchange believes that the proposed change to the liquidity fees and credits for auction transactions is equitable and not unfairly discriminatory because it is applicable to all Participants on an equal basis.

The Exchange believes that exempting Non-Auction Transactions in Select Symbols from Section II (Liquidity Fees and Credits) is reasonable, equitable and not unfairly discriminatory. The Exchange's Liquidity Fees and Credits are intended to attract order flow to the Exchange by offering incentives to all market participants to submit orders to the Exchange and the Exchange believes that the proposed fee structure will provide appropriate incentives to encourage Participants to submit Non-Auction Transactions in Select Symbols to the Exchange. The Exchange believes that exempting Non-Auction Transactions in Select Symbols from liquidity fees and credits is reasonable compared to the similar fees and credits offered by the other exchanges. The Exchange believes exempting Non-Auction Transactions in Select Symbols from liquidity fees and credits is not unfairly discriminatory as the exemption from the liquidity fees and credits applies equally to all Participants on the Exchange.

Jumbo SPY Options

The Exchange believes it is reasonable to remove all references of Jumbo SPY Options from the Fee Schedule and treat any future Jumbo SPY Option transactions before the final expiration in January 2015 as standard contracts for purposes of the Fee Schedule. On June 20,

2014 the Exchange delisted all Jumbo SPY series with no open interest and canceled all resting Jumbo SPY orders on the BOX Book. No further Jumbo SPY Options series will be added and the five remaining Jumbo SPY Options series with open interest were moved to closing only transactions. The Exchange believes it is reasonable to remove these references from the Fee Schedule because doing so will reduce investor confusion by clarifying that the product will no longer be listed and traded on BOX. The Exchange also believes it is equitable and not unfairly discriminatory to remove all references to Jumbo SPY Options as this applies equally to all Participants on the Exchange.

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

The Exchange believes that the proposed new fee structure for Select Symbols will neither impose burdens on competition among various Exchange Participants nor impose any burden on competition among exchanges in the listed options marketplace, not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that adopting a different fee structure for Select Symbols will not impose a burden on competition among various Exchange Participants. BOX currently assesses distinct standard contract Exchange Fees for different account and transaction types. The Exchange believes that applying a fee structure that is determined by whether the order removes or adds liquidity, and according to the account type of the Participant submitting the order and the contra party will result in Participants being charged appropriately for these transactions. Submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange.

Further, the Exchange believes that this proposal will enhance competition between exchanges because it is designed to allow the Exchange to better compete with other exchanges

for order flow.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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 Act¹⁵ and Rule 19b-4(f)(2) thereunder,¹⁶ because it establishes or changes a due, or fee.

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:

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

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-2014-24 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BOX-2014-24. 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-2014-24, 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.¹⁷

Kevin M. O'Neill
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).