

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75350; File No. SR-BOX-2015-24)

July 1, 2015

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 Options Facility

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 29, 2015, 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,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on July 1, 2015. 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>.

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

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

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

<sup>4</sup> 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 make a number of changes to Section I.A of the BOX Fee Schedule, Exchange Fees for Non-Auction Transactions.

First, the Exchange proposes to amend certain credits in the pricing model outlined in Section I.A. (Non-Auction Transactions).<sup>5</sup> In this section, fees and credits are assessed depending on upon three factors: (i) the account type of the Participant submitting the order; (ii) whether the Participant is a liquidity provider or liquidity taker; and (iii) the account type of the contra party. Non-Auction Transactions in Penny Pilot Classes are assessed different fees or credits than Non-Auction Transactions in Non-Penny Pilot Classes. The Exchange recently adopted this pricing model<sup>6</sup> and now proposes to amend certain credits in this section.

Specifically, the Exchange proposes to eliminate the Maker and Taker credits for Public Customers interacting with Professional Customers/Broker Dealers or Market Makers in both Penny Pilot and Non-Penny Pilot Classes. Public Customers currently receive a \$0.10 credit

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<sup>5</sup> Non-Auction Transactions are those transactions executed on the BOX Book.

<sup>6</sup> See Securities Exchange Act Release No. 73547 (November 6, 2014), 79 FR 67520 (November 13, 2014)(Notice of Filing and Immediate Effectiveness of SR-BOX-2014-25).

(Penny Pilot Classes) and \$0.45 credit (Non-Penny Pilot Classes) when interacting with Professional Customers, Broker Dealers or Market Makers, regardless of whether they are adding or removing liquidity. The Exchange proposes to eliminate both these credits.

These transactions will remain exempt from the Liquidity Fees and Credits outlined in Section II of the BOX Fee Schedule. The revised fee structure for Non-Auction Transactions will be 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	\$0.00	\$0.00	\$0.00	\$0.00
	Market Maker	\$0.00	\$0.00	\$0.00	\$0.00
Professional Customer or Broker Dealer	Public Customer	\$0.60	\$0.64	\$0.95	\$0.99
	Professional Customer/ Broker Dealer	\$0.25	\$0.40	\$0.35	\$0.40
	Market Maker	\$0.25	\$0.44	\$0.35	\$0.44
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	\$0.00	\$0.29	\$0.00	\$0.29
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For example, if a Public Customer submitted an order to the BOX Book in a Penny Pilot Class (making liquidity), the Public Customer would now be charged no fee 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 Class (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 charged no fee.

In Section I.A.1., the Tiered Volume Rebate for Non-Auction Transactions, the Exchange gives a per contract rebate to Market Makers and Public Customers based on their average daily volume (“ADV”) considering all transactions executed on BOX by the Market Maker or Public Customer, respectively, as calculated at the end of each month. In the Public Customer’s Monthly ADV section the Exchange proposes to adjust the volume tiers and adopt different per contract rebates for Penny Pilot Classes and Non-Penny Pilot Classes. The new per contract rebates for Public Customers in Non-Auction Transactions as set forth in Section I.A.1. of the BOX Fee Schedule will now be as follows:

<b>Public Customer Monthly ADV</b>	<b>Per Contract Rebate</b>	
	<b>Penny Pilot Classes</b>	<b>Non-Penny Pilot Classes</b>
65,001 contracts and greater	(\$0.40)	(\$0.70)
40,001 contracts to 65,000 contracts	(\$0.25)	(\$0.50)

15,001 contracts to 40,000 contracts	(\$0.15)	(\$0.40)
1 contract to 15,000 contracts	\$0.00	\$0.00

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,<sup>7</sup> 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 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.

The Exchange believes amending the Non-Auction Transaction credits for Public Customers is reasonable, equitable and not unfairly discriminatory. The fee structure for Non-Auction Transactions has been well received by Participants and the industry since it was adopted last year, and the Exchange believes it is now appropriate to eliminate the credits for Public Customers.<sup>8</sup> The proposed fee structure is intended to attract order flow to the Exchange by offering all market participants incentives to submit their Non-Auction orders to the Exchange. The practice of providing additional incentives to increase order flow is, and has

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<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>8</sup> See supra, note 6. Prior to adopting the Non-Auction Transaction fee structure, Public Customers were charged \$0.07 for each Non-Auction transaction.

been, a common practice in the options markets.<sup>9</sup> Further, the Exchange believes it is appropriate to provide 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 according to the account type of the Participant originating the order and the contra party. This fee structure has been in place on the Exchange since last year and the Exchange is simply adjusting certain credits within the structure.<sup>10</sup> The result of this structure is that a Participant does not know the fee it will be charged when submitting certain orders. 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 the order interacts.

The Exchange believes that the proposed fees for Public Customers in Non-Auction Transactions are reasonable. Under the proposed Non-Auction Transaction fee structure Public Customers will never pay a fee for their Non-Auction transactions and may be eligible for a per contract rebate depending on their monthly ADV for all transactions executed on BOX.

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<sup>9</sup> See BATS Exchange, Inc. ("BATS") BATS Options Exchange Fee Schedule "Standard Rates"; Chicago Board Options Exchange, Inc. ("CBOE") Fee Schedule "Volume Incentive Program" (page 4); ISE Gemini, LLC ("Gemini") Schedule of Fees, Section I. Regular Order Fees and Rebates "Penny Symbols and SPY, and Non-Penny Symbols" (page 4); Miami International Securities Exchange, LLC ("MIAX") Fee Schedule Section I(a)(i) "Market Maker Transaction Fees" and "Market Maker Sliding Scale", and Section I(a)(iii) "Priority Customer Rebate Program"; NASDAQ OMX BX, Inc. ("BX Options") Chapter XV, Section 2 BX Options Market – Fees and Rebates; NASDAQ OMX PHLX, ("PHLX"), Pricing Schedule Section B, "Customer Rebate Program"; NASDAQ Stock Market LLC ("NOM") Chapter XV, Section 2 NASDAQ Options Market – Fees and Rebates; NYSE Amex, Inc. ("AMEX") Fee Schedule Section I.C. NYSE Amex Options Market Maker Sliding Scale – Electronic; and NYSE Arca, Inc ("Arca") Options Fees and Charges, "Customer and Professional Customer Monthly Posting Credit Tiers and Qualifications for Executions in Penny Pilot Issues"(page 4).

<sup>10</sup> See supra, note 6.

Therefore the Exchange believes that it is appropriate and therefore consistent with the Act to eliminate the credits for Public Customers in Section 1.A. The Exchange believes the Non-Auction transaction fees for Public Customers are reasonable as they are in line with the current fees assessed by other competing exchanges.<sup>11</sup>

#### Tiered Volume Rebate for Non-Auction Transactions

BOX believes it is reasonable, equitable and not unfairly discriminatory to adjust the tiered volume based rebates for Public Customers in Non-Auction Transactions. The volume thresholds and applicable rebates are meant to incentivize Public Customers 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. Other exchanges employ similar incentive programs;<sup>12</sup> and the Exchange believes that the proposed changes to the volume thresholds and rebates are reasonable and competitive when compared to incentive structures at other exchanges.

The Exchange continues to believe it is equitable and not unfairly discriminatory to offer these rebate structures to Public Customers in Non-Auction transactions. The practice of incentivizing increased Public Customer order flow is common in the options markets. The

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<sup>11</sup> Many U.S. Options Exchanges do not differentiate their fees between auction and non-auction transactions. However, Public Customers are charged anywhere from \$0.00 to \$0.85 within the following options exchange fee schedules. See NASDAQ OMX BX (“BX”) Options Pricing, Chapter XV, Sec. 2; NYSE Arca Options (“Arca”) Fees and Charges page 3; International Securities Exchange (“ISE”) Schedule of Fees, Section I.

<sup>12</sup> See Section B of the PHLX Pricing Schedule entitled “Customer Rebate Program;” ISE Gemini’s Qualifying Tier Thresholds (page 6 of the ISE Gemini Fee Schedule); 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 some of 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.

Exchange believes the proposed changes to the tiers and per contract rebates are reasonable, as Public Customers will benefit from the opportunity to obtain a greater rebate in most situations. For example, under the current schedule a Public Customer with an ADV of 17,000 would receive a per contract rebate of \$0.12. Under the proposed schedule this same Public Customer would receive a per contract rebate of \$0.15 for Penny Pilot Classes and \$0.40 for Non-Penny Pilot Classes.

The Exchange believes it is reasonable to offer a higher per contract rebate for transactions in Penny Pilot Classes [sic] compared to Non-Penny Pilot Classes [sic] because Non-Penny Pilot Classes are typically less actively traded and have wider spreads. The Exchange believes that offering a higher rebate will incentivize Public Customer order flow in Non-Penny Pilot issues on the Exchange, ultimately benefitting all Participants trading on BOX.

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 the proposed adjustments to fees and rebates in the Non-Auction Transactions fee structure will not impose a burden on competition among various Exchange Participants. Rather, BOX believes that the changes will result in the Participants being charged appropriately for these transactions and are designed to enhance competition in Non-Auction transactions on BOX. 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.



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 Act<sup>13</sup> and Rule 19b-4(f)(2) thereunder,<sup>14</sup> 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:

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-2015-24 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.

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

<sup>14</sup> 17 CFR 240.19b-4(f)(2).

All submissions should refer to File Number SR-BOX-2015-24. 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-2015-24, 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.<sup>15</sup>

Robert W. Errett  
Deputy Secretary

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