

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75828; File No. SR-BOX-2015-30)

September 3, 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) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 1, 2015, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“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. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on September 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>.

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).

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 amend the Fee Schedule for trading on BOX to amend how PIP and COPIP Orders⁵ executing on the BOX Book are treated within the BOX Fee Schedule. Specifically, the Exchange proposes to now treat both sides of these transactions as Non-Auction transactions in regards to both Exchange Fees (Section I) and Liquidity Fees and Credits (Section II). While this type of interaction is not common, the Exchange believes that doing so will add greater clarity to the Fee Schedule and reduce Participant confusion about how these executions are treated.

The Exchange first proposes to add subsection 3 to Section I.B. (PIP and COPIP Orders Executed Against Orders on the BOX Book) and state that each PIP or COPIP Order which executes against an Unrelated Order on the BOX Book shall be treated as a Non-Auction transaction and be subject to Section I.A. Exchange Fees (Non-Auction Transactions).⁶ The

⁵ A PIP Order or COPIP Order is a Customer Order (an agency order for the account of either a customer or a broker-dealer) designated for the PIP or COPIP, respectively.

⁶ For the PIP, an Unrelated Order is a non-Improvement Order entered into the BOX market during a PIP. For the COPIP, an Unrelated Order is a non-Improvement Order entered on BOX during a COPIP or BOX Book Interest during a COPIP.

Exchange then proposes to amend Section II.A. (PIP and COPIP Transactions) to add language which specifies that each PIP Order or COPIP Order that executes against an Unrelated Order on the BOX Book shall be treated as a Non-Auction transaction and deemed exempt from Liquidity Fees and Credits.

The Exchange does not believe that this change will have a noticeable impact on the fees assessed on its Participants.⁷ Almost all PIP and COPIP Orders executing against orders on the BOX Book will be Public Customer orders, which are not assessed an Exchange fee. Similarly, under the Non-Auction fee structure Public Customers are also never assessed a fee. The Exchange notes that the Public Customer in this scenario may actually receive an additional rebate of up to \$0.70 under Section I.A.1. (Tiered Volume Rebate for Non-Auction Transactions.)

While unlikely that a Participant other than a Public Customer would be interacting with the order on the BOX Book, the Exchange notes that a Market Maker who submits a PIP or COPIP Order that executes against an order on the BOX Book would be charged anywhere from \$0.05 to \$0.55 in Penny Pilot Classes and \$0.10 to \$0.90 in Non-Penny Pilot Classes depending on the Participant type that the Order interacted with. The Market Maker would also be eligible for the Tiered Volume Rebate of up to \$0.10 per contract depending on its monthly average daily volume. Comparatively, the same Market Maker would be assessed a \$0.20 Exchange fee for the PIP and COPIP Order and a credit for removing liquidity of \$0.35 (Penny Pilot Classes) and \$0.75 (Non-Penny Pilot Classes).

A Professional Customer or Broker Dealer who submits a PIP or COPIP Order that executes against an order on the BOX Book could be charged anywhere from \$0.40 to \$0.64 in

⁷ The Exchange notes that in almost all scenarios the PIP and COPIP Order would be considered a taker of liquidity for purposes of the Non-Auction transaction fee structure.

Penny Pilot Classes and \$0.40 to \$0.99 in Non-Penny Pilot Classes. The same Professional Customer or Broker Dealer would be assessed a \$0.37 Exchange fee for the PIP and COPIP Order and a credit for removing liquidity of \$0.35 (Penny Pilot Classes) and \$0.75 (Non-Penny Pilot Classes).

The Exchange also proposes to remove obsolete language in this subsection that references immediately marketable Unrelated Orders, specifically the language that states that “an Unrelated Order that is not immediately marketable will be charged as an Improvement Order when it executes against a PIP Order or a COPIP Order,” as well as “When a non-immediately marketable order executes against a PIP Order or a COPIP Order, therefore becoming an Unrelated Order, it shall be charged as an Improvement Order.” Since the introduction of the pro-rata allocation algorithm within the PIP and COPIP,⁸ all Unrelated Orders are systematically treated as immediately marketable. Therefore the Exchange believes this language is no longer necessary and removing it will reduce participant confusion about how these executions are treated within the Fee Schedule. The Exchange also proposes to remove footnotes which are referenced in the text that is being removed.

The Exchange notes that the fees for immediately marketable Unrelated Orders remain unchanged. These orders continue to be charged as Non-Auction transactions for purposes of the BOX Fee schedule.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section

⁸ See Securities Exchange Act Release No. 72848 (August 14, 2014), 79 FR 49361 (August 20, 2014)(Order Granting Approval of a Proposed Rule Change To Adopt New Trade Allocation Algorithms for Matching Trades at the Conclusion of the PIP and the COPIP).

6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,⁹ 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 treating PIP and COPIP Orders that execute against an Unrelated Order on the BOX Book as Non-Auction transactions is reasonable, equitable and not unfairly discriminatory. As the Exchange noted above, almost all PIP and COPIP Orders are from the accounts of Public Customers. If this type of interaction does take place the Public Customer will still not be charged a fee and may also receive a credit depending on its ADV for the month.

Additionally, the Exchange believes it is reasonable to potentially assess Market Makers, Broker Dealers, and Professional Customers with higher fees if their PIP or COPIP Orders execute on the BOX Book. While this scenario is rare, the Exchange notes that it has adopted similar methodology for Complex Orders that execute on the BOX Book, and while the result of this structure is that the BOX Participant does not know the fee it will be charged when submitting a PIP or COPIP Order, the Participant must recognize that it could be charged the highest applicable fee on the exchange's schedule. For example, while a Market Maker's PIP Order in a Penny Pilot Class would currently expect to be charged a \$0.20 exchange fee and receive a \$0.35 removal "credit" if the Order executed against a Primary Improvement Order or

⁹ 15 U.S.C. 78f(b)(4) and (5).

Improvement Order in the PIP or COPIP, if that Order interacted with an Unrelated Order on the BOX Book the Market Maker could now be charged anywhere from \$0.00 to \$0.51. 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 depending upon how the PIP or COPIP Order interacts. This way, a Participant will never be charged a higher fee than they expected when submitting a PIP or COPIP Order. Further, a majority of PIP and COPIP Orders execute as intended in the PIP and COPIP mechanisms, so the Exchange believes that any increase in fees will be nominal at most.

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.

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 also does not believe that this change would disincentivize a market participant from sending in a PIP or COPIP Order, as the proposed rule change is meant to provide clarity to the BOX Fee Schedule so that Participants understand the fees they can be charged in this scenario. Under the proposed change PIP and COPIP Orders that execute against an Unrelated Order on the BOX Book will be subject to fees already in place on the Exchange. Further, almost all these transactions the PIP or COPIP Order will be from the account of the Public Customer and there will be no change to the fees assessed on these Participants. In rare cases, Market Makers,

Broker Dealers and Professional Customers could be assessed a higher fee but the Exchange believes any fees assessed would be nominal.

Finally, the Exchange does not believe that treating PIP and COPIP Orders that execute against an Unrelated Order on the BOX Book as Non-Auction transactions will impose a burden on competition among various Exchange Participants because all Participants will be affected to the same extent.

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 Act¹⁰ and Rule 19b-4(f)(2) thereunder,¹¹ 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.

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 CFR 240.19b-4(f)(2).

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-2015-30 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-2015-30. 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, D.C. 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-2015-30, 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.¹²

Robert W. Errett
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).