

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78427; File No. SR-BOX-2016-34)

July 27, 2016

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”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 18, 2016, 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,<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 to 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, 2016. 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 the BOX Fee Schedule.

**Exchange Fees**

PIP and COPIP Transactions

The Exchange proposes to remodel the current fee structure for PIP and COPIP Transactions. Currently, PIP and COPIP transactions are assessed fees based upon the account type of the Participant and whether the order is a: (i) PIP or COPIP Order; (ii) Improvement Order in PIP or COPIP; or (iii) Primary Improvement Order. The current PIP and COPIP Transactions fee structure is as follows:

	<b>Account Type</b>			
	Public Customer	Professional Customer	Broker Dealer	Market Maker
PIP Order or COPIP Order <sup>5</sup>	\$0.00	\$0.15	\$0.15	\$0.15
Improvement Order in PIP or COPIP <sup>6</sup>	\$0.15	\$0.37	\$0.37	\$0.30
Primary Improvement Order <sup>7</sup>	See Section I. B.1	See Section I. B.1	See Section I. B.1	See Section I. B.1

First, the Exchange proposes to restructure the PIP and COPIP Transactions fee schedule to differentiate between fees assessed in Penny and Non-Penny Pilot Classes. Next, the Exchange proposes to adjust the Improvement Order fees assessed for Broker Dealers, Professional Customers and Market Makers. Specifically, the Exchange proposes to establish a fee of \$0.12 for Broker Dealers, Professional Customer and Market Maker Improvement Orders in Penny Pilot Classes. For Improvement Orders in Non-Penny Pilot Classes, the Exchange proposes to establish a fee of \$0.38 for Market Makers, Broker Dealers and Professional Customers. Public Customer Improvement Order fees will remain the same, as well as the PIP and COPIP Order fees for all Participants.

The proposed PIP and COPIP fee structure will be as follows:

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<sup>5</sup> 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.

<sup>6</sup> An Improvement Order is a response to a PIP or COPIP auction.

<sup>7</sup> A Primary Improvement Order is the matching contra order submitted to the PIP or COPIP on the opposite side of the PIP or COPIP order.

Account Type	PIP and COPIP Orders <sup>8</sup>		Improvement Orders <sup>9</sup>	
	Penny Pilot Classes	Non-Penny Pilot Classes	Penny Pilot Classes	Non-Penny Pilot Classes
Public Customer	\$0.00	\$0.00	\$0.15	\$0.15
Professional Customer or Broker Dealer	\$0.15	\$0.15	\$0.12	\$0.38
Market Maker	\$0.15	\$0.15	\$0.12	\$0.38

The Exchange is also proposing to remove the Primary Improvement Order row in the schedule which references the Tiered Fee Schedule for Initiating Participants in Section 1.B.1 as well as amend the footnotes in the PIP and COPIP Transactions subsection to reflect to revised fee structure.

#### Tiered Fee Schedule for Initiating Participants

The Exchange proposes to rename Section I.B.1 from “Tiered Fee Schedule for Initiating Participants” to “Primary Improvement Order” to clarify that this section reflects the per contract execution fees for Primary Improvement Orders. The Exchange is also proposing to amend the footnotes in proposed Section I.B.1 to include the definition of a Primary Improvement Order.

#### BOX Volume Rebate

The Exchange proposes to amend the BOX Volume Rebate (“BVR”) in Section I.B.2 of the Fee Schedule.

Under the current BVR, the Exchange offers a tiered per contract rebate for all PIP Orders and COPIP Orders of 100 contracts and under. PIP and COPIP executions of 100 contracts and under are awarded a per contract rebate calculated on a monthly basis by totaling the Participant’s PIP and COPIP volume submitted to BOX, relative to the total national

<sup>8</sup> 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.

<sup>9</sup> An Improvement Order is a response to a PIP or COPIP auction.

Customer volume in multiply-listed options classes. The current per contract rebate for Participants in PIP and COPIP Transactions under the BVR is:

Tier	Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes (Monthly)	Per Contract Rebate (All Account Types)	
		<u>PIP</u>	<u>COPIP</u>
1	0.000% to 0.159%	(\$0.00)	(\$0.00)
2	0.160% to 0.339%	(\$0.04)	(\$0.02)
3	0.340% to 0.999%	(\$0.11)	(\$0.04)
4	1.000% to 1.249%	(\$0.14)	(\$0.06)
5	1.250% and Above	(\$0.18)	(\$0.06)

First, the Exchange is proposing to lower the per contract rebate for PIP and COPIP Orders of 100 and under that trade solely with their contra order. Specifically, the Exchange is proposing to lower the rebate to \$0.03 per contract from \$0.05 per contract. Next, the Exchange proposes to lower the per contract rebates associated with each volume tier in PIP transactions. The per contract rebates associated with COPIP Orders remain unchanged. The new BVR set forth in Section I.B.2 of the BOX Fee Schedule will be as follows:

Tier	Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes (Monthly)	Per Contract Rebate (All Account Types)	
		<u>PIP</u>	<u>COPIP</u>
1	0.000% to 0.159%	(\$0.00)	(\$0.00)
2	0.160% to 0.339%	(\$0.02)	(\$0.02)
3	0.340% to 0.999%	(\$0.04)	(\$0.04)
4	1.000% to 1.249%	(\$0.07)	(\$0.06)
5	1.250% and Above	(\$0.10)	(\$0.06)

### Liquidity Fees and Credits

The Exchange then proposes to amend Section II.A. of the BOX Fee Schedule, liquidity fees and credits for PIP and COPIP transactions. Specifically, the Exchange proposes to increase the fees and credits for PIP and COPIP transactions in Penny and Non-Penny Pilot Classes. The Exchange proposes to raise the fees for adding liquidity in PIP and COPIP Transactions to \$0.77

from \$0.75 in Non-Penny Pilot Classes, and to \$0.38 from \$0.35 in Penny Pilot Classes. The Exchange also proposes to increase the credits for removing liquidity in PIP and COPIP Transactions. Specifically, the Exchange proposes to increase the credit to \$0.77 from \$0.75 in Non-Penny Pilot Classes, and to \$0.38 from \$0.35 in Penny Pilot Classes.

Lastly, the Exchange also proposes to make non-substantive technical changes [sic] to renumber the footnotes within the BOX 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,<sup>10</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.

### Exchange Fees

#### PIP and COPIP Transactions

The Exchange believes that remodeling the fee structure for PIP and COPIP Transactions is reasonable, equitable, and not unfairly discriminatory. In particular, the proposed revisions will allow the Exchange to apply separate fees for transactions in Penny and Non-Penny Pilot Classes, a distinction that is made in many other section [sic] of the BOX Fee Schedule, including Section I.A (Non-Auction Transactions) and Section III.A (All Complex Orders).

The Exchange also believes the proposed fees for Broker Dealers, Professional Customer and Market Makers submitting Improvement Orders in Penny and Non-Penny Pilot classes are reasonable equitable and not unfairly discriminatory. Professional Customers and Broker Dealers

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<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

are currently charged a flat fee of \$0.37 for Improvement Orders, while Market Makers are charged a flat fee of \$0.30. The proposal lowers the Improvement Order fees for these Participants to \$0.12 for Penny Pilot Classes, while slightly raising the fee for Non-Penny Pilot Classes to \$0.38. The Exchange believes these fees are reasonable as they are in line with other exchanges in the industry.<sup>11</sup>

#### Tiered Fee Schedule for Initiating Participants

The Exchange believes that the proposal to rename sections [sic] I.B.1 to “Primary Improvement Order is reasonable equitable and not unfairly discriminatory, as it will provide further clarity to the fee schedule and will eliminate any potential investor confusion.

#### BOX Volume Rebate

The Exchange believes the proposed changes to the BVR are reasonable, equitable and non-discriminatory. The BVR was adopted to attract Public Customer order flow to the Exchange by offering these Participants incentives to submit their PIP and COPIP Orders to the Exchange. The Exchange believes providing a rebate to Participants that reach a certain volume threshold is equitable and non-discriminatory as the rebate will apply to all Participants uniformly.

The Exchange believes it is reasonable, equitable and non-discriminatory to reduce the flat rebate in the BVR for PIP Orders and COPIP Orders of 100 and under contracts that trade solely with their contra order. The Exchange recently amended the BVR to introduce the flat \$0.05 rebate, regardless of tier.<sup>12</sup> The Exchange now believes it is reasonable to lower the flat rebate to \$0.03 per contract, regardless of tier. The BVR is intended to incentivize Participants

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<sup>11</sup> See NASDAQ OMX PHLX, (“PHLX”) Pricing Schedule, where Responders to the PIXL are charged \$0.25.

<sup>12</sup> See Securities Exchange Release No. 77694 (April 22, 2016), 81 FR 25460 (April 28, 2016) (Notice of Filing and Immediate Effectiveness SR-BOX-2016-17).

to direct Customer order flow to the Exchange, and while the Exchange believes that the potentially higher BVR rebate tiers are not necessary for internalized PIP Orders that only trade against their contra order, a flat \$0.03 rebate will continue to be the appropriate incentive for these orders. The Exchange also believes that the proposed flat \$0.03 rebate for internalized COPIP Orders that only trade against their contra order will continue to be a reasonable incentive.

The Exchange believes that lowering the rebates associated with each volume tier for PIP transactions is reasonable. Once the volume threshold is met the Exchange will continue to pay rebates on applicable PIP Orders. The Exchange also believes the proposed rebates are equitable and not unfairly discriminatory because Participants are eligible to receive the rebate provided they meet the volume and order type requirements. The Exchange believes that applying the rebate to PIP Orders will continue to provide these Participants with an added incentive to transact a greater number of Public Customer Orders on the Exchange to the benefit of all market participants.

#### Liquidity Fees and Credits

BOX believes that the changes to PIP and COPIP transaction liquidity fees and credits are equitable and not unfairly discriminatory in that they apply to all categories of participants and across all account types. The Exchange notes that liquidity fees and credits on BOX are meant to offset one another in any particular transaction. The liquidity fees and credits do not directly result in revenue to BOX, but simply allow BOX to provide incentives to Participants to attract order flow. The Exchange also believes the liquidity fees and credits are reasonable and competitive when compared to similar fees at competing venues.



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 the proposed fee changes are reasonably designed to enhance competition in BOX transactions, particularly auction transactions.

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:

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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).

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-2016-34 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-2016-34. 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-2016-34, 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).