

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80428; File No. SR-BOX-2017-10)

April 11, 2017

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Expand the Execution Range for a Customer Cross Order

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 March 29, 2017, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 expand the execution range for a Customer Cross Order. 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

In its filing with the Commission, the self-regulatory organization 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

places specified in Item IV below. The self-regulatory organization 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

Same as Item 3a in the 19b-4 Purpose section. [sic] Make sure all the footnotes copy correctly. [sic] The Exchange proposes to amend BOX Rule 7110(c)(5) (Customer Cross Order) to expand the execution range for a Customer Cross Order. This is a competitive filing that is based on the rules of another exchange.³

A Customer Cross Order is comprised of a non-Professional, Public Customer Order to buy and a non- Professional, Public Customer Order to sell at the same price and for the same quantity.⁴ Rule 7110(c)(5) provides that Customer Cross Orders are automatically executed upon entry provided that the execution is between the best bid and offer on BOX and will not trade through the NBBO. Customer Cross Orders are automatically canceled if they cannot be executed. Customer Cross Orders may only be entered in the regular trading increments applicable to the options classes under Rule 7050. IM-7140-1⁵ applies to the entry and execution

³ See MIAX Rule 515(h)(1). The Exchange is not copying all aspects of MIAX Rule 515(h)(1). Specifically, BOX is not copying the references to a liquidity refresh pause or route timer because the Exchange does not offer these functionalities.

⁴ See Rule 7110(c)(5).

⁵ This Rule prevents an Options Participant executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on BOX an opportunity to trade with the agency order pursuant to Rule 7150 (Price Improvement Period), Rule 7245 (Complex Order Price Improvement Period) or Rule 7270 (Block Trades). However, the Exchange recognizes that it may be possible for an Options Participant to establish a relationship with a Customer or other person (including affiliates) to deny agency orders the opportunity to interact on BOX and to realize similar economic benefits as it would achieve by executing agency orders as principal. It will be a violation of this Rule for an Options Participant to circumvent this Rule by providing an opportunity for a Customer or other person (including affiliates) to execute against

of Customer Cross Orders.

The Exchange is now proposing to expand the execution range for Customer Cross Orders. Specifically, a Customer Cross Order will automatically execute if the execution price is at or between the best bid and offer on BOX, provided that it is not at the same price as a Public Customer Order on the BOX Book. This is opposed to the current requirement that the execution price be strictly between the best bid and offer on BOX. The requirement that the Customer Cross Order not trade through the NBBO will remain the same. The Exchange notes this is the same execution parameters of another exchange.⁶

The following examples are designed to illustrate the current behavior of a Customer Cross Order in addition to how a Customer Cross Order will behave after the proposed change.

Example 1

The Exchange receives a Customer Cross Order for 100 contracts in ABC at 3.13. The NBBO for ABC is 3.08 – 3.13. The following interest is present on the BOX Book when the Customer Cross Order is received.

BOX Book For ABC					
Account	Quantity	Buy	Sell	Quantity	Account
MM	10	3.08	3.13	10	MM

Pursuant to Rule 7110(c)(5), the Customer Cross Order would be rejected because the execution price (3.13) is at the best offer on the BOX Book, not between the best bid and offer on BOX. After the proposed change is implemented, the Customer Cross Order would be accepted. The Customer Cross Order will execute at 3.13 because, after the proposed change, a Customer Cross

agency orders handled by the Options Participant immediately upon their entry into the Trading Host.

⁶ See supra, note 3.

Order can execute at a price at or between the best bid and offer on BOX. Additionally, the execution price of 3.13 will not trade through the NBBO.

Example 2

Assume the same situation as Example 1 with the exception that the ABC sell order on the BOX Book is for the account of a Public Customer not a Market Maker. Pursuant to Rule 7110(c)(5), the Customer Cross Order would be rejected because the execution price (3.13) is at the best offer on the BOX Book, not between the best bid and offer on BOX. After the proposed change is implemented, the Customer Cross Order would still be rejected; however, it would be due to the fact that there is a Public Customer Order on the BOX Book at the execution price, not because the execution price is equal to the best offer on the BOX Book.

Lastly, the Exchange proposes to detail the additional circumstances of when a Customer Cross Order is rejected. Specifically, the Exchange will reject a Customer Cross Order if there is an ongoing auction⁷ or an exposed order on the option series. The Exchange notes that this has been in place on the Exchange for PIP and exposed orders.⁸ BOX now proposes to expand the rejection of Customer Cross Orders to all ongoing auctions, including COPIP, Facilitation and Solicitation Auctions.

The Exchange anticipates implementing the proposed change during the second quarter of 2017. The Exchange will provide notice of the exact implementation date, via Circular, prior to implementing the proposed change.

⁷ BOX's auction mechanisms include the Price Improvement Period ("PIP"), Complex Order Price Improvement Period ("COPIP"), Facilitation Auction and Solicitation Auction.

⁸ See IC-2012-004 available at http://boxexchange.com/assets/Informational_Circular_2012-004_Customer_Cross_Orders.pdf. In this Circular, BOX states that Customer Cross Orders are not accepted on an option instrument while there is a PIP auction in progress or while an order is being exposed for the same option instrument.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),⁹ in general, and Section 6(b)(5) of the Act,¹⁰ 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 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 that the proposed rule change to amend BOX Rule 7110(c)(5) to expand the execution range of a Customer Cross Order on BOX is designed to help BOX remain competitive among options exchanges. The proposal to expand the execution range is designed to facilitate transactions, to remove impediments to and perfect the mechanism for a free and open market to the benefit of market participants by increasing opportunities for Customer Cross Orders to execute on the Exchange. Further, the Exchange believes that the proposed change is reasonable and appropriate as another options exchange in the industry has a similar rule currently in place at their exchange.¹¹

The Exchange believes that detailing the additional circumstances for when a Customer Cross Order may be rejected is reasonable and appropriate because it will make clear to Participants these circumstances and in turn will eliminate any potential for investor confusion.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ See supra, note 3.

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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to the rules of another exchange.¹² The Exchange does not believe the proposal will impose any burden on intermarket competition, as the proposed rule will allow BOX to compete with other options exchanges in the industry. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality.

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 the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

¹² Id.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided 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 filing of the proposed rule change, or such shorter time as designated by the Commission.

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 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. Please include File Number SR-BOX-2017-10 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BOX-2017-10. 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-2017-10, 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.¹⁵

Eduardo A. Aleman
Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).