

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100026; File No. SR-BOX-2024-10)

April 25, 2024

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

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 April 11, 2024, BOX 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 Terms of 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 Options 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 <https://rules.boxexchange.com/rulefilings>.

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 Section VI.A, Complex Order Transaction Fees, of the BOX Fee Schedule, to establish a separate category within the fee structure for fees and rebates on Complex Order transactions for options overlying the Standard and Poor’s Depository Receipts Trust (“SPY”), the INVESCO QQQ TrustSM, Series 1 (“QQQ”), and iShares Russell 2000 Index Fund (“IWM”). The Exchange notes that the fees for SPY, QQQ, and IWM in Section VI.A will remain the same as those currently assessed. The Exchange also proposes to amend the fees in Section VI.B to change how certain Complex Orders are assessed within the fee structure, specifically each leg of Public Customer Complex Orders in SPY, QQQ, and IWM that executes against the BOX Book⁵ instead of the Complex Order Book.⁶

Currently, in Section VI of the BOX Fee Schedule, fees and credits for Complex Order transactions in Penny Interval Classes and Non-Penny Interval Classes are assessed depending on three factors: (i) the account type of the Participant submitting the order; (ii) whether the

⁵ The term "Central Order Book" or "BOX Book" means the electronic book of orders on each single option series maintained by the BOX Trading Host. See BOX Rule 100(a)(10).

⁶ The term “Complex Order Book” means the electronic book of Complex Orders maintained by the BOX Trading Host. See BOX Rule 7240(a)(8).

Participant is a liquidity provider or liquidity taker; and (iii) the account type of the contra party. The Exchange proposes to assess separate fees for SPY, QQQ, and IWM Complex Order Transaction Fees in Section VI.A of the Fee Schedule. The Exchange notes that it is not changing the amount of the fees currently assessed for these transactions but is simply carving out SPY, QQQ, and IWM into a separate category within the fee structure.

As proposed, the SPY, QQQ, and IWM fees will continue to be the same as the current fees assessed to transactions in Penny Interval Classes. Specifically, when a Public Customer SPY, QQQ, or IWM Complex Order interacts with a Public Customer, the Exchange will not assess a fee or offer a rebate. When a Public Customer SPY, QQQ, or IWM Complex Order interacts with a non-Public Customer, the Exchange will offer a rebate of \$0.50. Further, when a Professional Customer or Broker Dealer SPY, QQQ, or IWM Complex Order interacts with a Public Customer Complex Order, the Exchange proposes to assess a \$0.50 fee when making liquidity or a \$0.50 fee when taking liquidity. When a Professional Customer or Broker Dealer SPY, QQQ, or IWM Complex Order interacts with a Professional Customer, Broker Dealer, or Market Maker Complex Order, the Exchange proposes to offer a rebate of \$0.30 for making liquidity or to assess a fee of \$0.50 for taking liquidity. When a Market Maker SPY, QQQ, or IWM Complex Order interacts with a Public Customer Complex Order, the Exchange proposes to assess \$0.50 when making liquidity or \$0.50 when taking liquidity. When a Market Maker SPY, QQQ, or IWM Complex Order interacts with a Professional Customer, Broker Dealer, or Market Maker Complex Order, the Exchange proposes to offer a rebate of \$0.30 when making liquidity or to assess a fee of \$0.50 when taking liquidity. The Exchange again notes that these

fees are currently assessed to SPY, QQQ, and IWM transactions today as SPY, QQQ, and IWM are Penny Interval Classes.⁷

The proposed fee structure for SPY, QQQ, and IWM Complex Order transactions will be as follows:

		SPY, QQQ, and IWM	
Account Type	Contra Party	Maker	Taker
Public Customer	Public Customer	\$0.00	\$0.00
	Professional Customer/ Broker Dealer	(\$0.50)	(\$0.50)
	Market Maker	(\$0.50)	(\$0.50)
Professional Customer or Broker Dealer	Public Customer	\$0.50	\$0.50
	Professional Customer/ Broker Dealer	(\$0.30)	\$0.50
	Market Maker	(\$0.30)	\$0.50
Market Maker	Public Customer	\$0.50	\$0.50
	Professional Customer/ Broker Dealer	(\$0.30)	\$0.50
	Market Maker	(\$0.30)	\$0.50

For example, under the proposal, if a Public Customer submitted a SPY order to the Complex Order Book (making liquidity), the Public Customer would be provided a rebate of \$0.50 if the order interacted with a Market Maker’s SPY order and the Market Maker (taking liquidity) would be charged \$0.50.

⁷ See BOX Options Notice 2024-015 available at [Notice-2024-015-Penny-Program-Class-Removals.pdf \(boxexchange.com\)](#).

In addition to the above changes to Section VI.A of the Fee Schedule, the Exchange now proposes to amend the fees in Section VI.B to change how certain Complex Orders are assessed within the fee structure. By way of background, a Participant may enter a Complex Order with the intent of that order executing against another Complex Order on the Complex Order Book, however, Complex Orders will execute against Complex Orders only after bids and offers at the same net price on the BOX Book for the individual legs have been executed.⁸ Currently, under the BOX Fee Schedule, each leg of a Complex Order executed against the BOX Book will be treated as a standard order for purposes of the Fee Schedule and is subject to Section IV (Electronic Transaction Fees). The Exchange now proposes to assess \$0.00 for Public Customer Complex Orders in SPY, QQQ, and IWM executed against the BOX Book. Specifically, the Exchange proposes to amend Section VI.B as follows:

“Each order on the BOX Book executed against a Complex Order and each leg of a Complex Order executed against the BOX Book will be treated as a standard order for purposes of the Fee Schedule and subject to Section IV.A (Electronic Transaction Fees for Non-Auction Transactions), except that each leg of a Public Customer Complex Order in SPY, QQQ, and IWM executed against the BOX Book will be assessed \$0.00.”

For example, if a SPY, QQQ, or IWM Public Customer Complex Order interacts with the BOX Book, the legs are currently assessed \$0.10 for taking liquidity against Professional Customers, Broker Dealers, and Market Makers.⁹ The proposed change would effectively decrease the fee assessed in this case from \$0.10 to \$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,¹⁰ in particular, in that it

⁸ See BOX Rule 7240(b)(3)(i).

⁹ See BOX Fee Schedule, Section IV.A (Non-Auction Transactions).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

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 Exchange's proposal to establish a separate category within the fee structure for SPY, QQQ, and IWM Complex Order transactions is reasonable, equitable, and not unfairly discriminatory because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes. The Exchange notes that it currently assesses separate fees and rebates for SPY, QQQ, and IWM Non-Auction Transactions.¹¹ The Exchange also notes that SPY, QQQ, and IWM are among the most actively traded options¹² and therefore the Exchange believes that creating a separate category within the fee structure for these classes is appropriate to more effectively attract order flow to BOX. The Exchange again notes that it is not changing the amount of the fees currently assessed for SPY, QQQ, and IWM Complex Order Transaction Fees in Section VI.A of the Fee Schedule, but is simply carving out SPY, QQQ, and IWM into a separate category within the fee structure. As proposed, the SPY, QQQ, and IWM fees will continue to be the same as the current fees assessed to transactions in Penny Interval Classes.

Additionally, the Exchange believes the proposed change to amend the fees in Section VI.B to change how each leg of a Public Customer Complex Order in SPY, QQQ, and IWM that executes against the BOX Book is assessed within the fee structure is reasonable because it is designed to incentivize Public Customer Complex order flow. Specifically, when a Complex Order interacts with the BOX Book, the orders in the BOX Book are assessed electronic

¹¹ See BOX Fee Schedule, Section IV.A (Non-Auction Transactions).

¹² See <https://www.optioneducation.org/toolsoptionquotes/today-s-most-active-options> (providing a daily list of the most active options by type).

transaction fees for non-auction transactions.¹³ Currently, in the case of a Public Customer Complex Order interacting with the BOX Book, the legs are assessed \$0.00 for making liquidity against all account types, \$0.00 for taking liquidity against another Public Customer, and \$0.10 for taking liquidity against Professional Customers, Broker Dealers, and Market Makers. The proposed change would effectively decrease the fee assessed in the latter case from \$0.10 to \$0.00. Further, the Exchange believes it is equitable and not unfairly discriminatory that Public Customers be charged lower fees than Professional Customers, Broker Dealers, and Market Makers on BOX. The Exchange believes it promotes the best interests of investors to have lower transaction costs for Public Customers and will attract Public Customer order flow. The Exchange believes further that increased opportunities to interact with Public Customer order flow benefits all market participants. As such, the industry in general and the Exchange in particular have historically created fee structures to benefit Public Customers because increased Public Customer order flow benefits all market participants.

The Exchange notes that the BOX Fee Schedule, including Section VI (Complex Order Transaction Fees), assesses fees and credits according to the account type of the Participant originating the order and the contra party.¹⁴ The result of this structure is that a Participant does not know the fee it will be charged when submitting certain orders. Specifically, Participants who submit a Complex Order to BOX may not know ahead of time whether their Complex Order will interact with the Complex Order Book or the BOX Book. As a result, Participants must recognize when submitting a Complex Order to BOX that they could be assessed a range of fees or rebates and must expect the highest applicable fee or lowest applicable rebate such that

¹³ See BOX Fee Schedule Section VI.B.

¹⁴ See BOX Fee Schedule Sections IV.A (Electronic Non-Auction Transactions) and VI.A (Complex Order Transaction Fees).

fees(rebates) may be higher(lower) than their expectations. The Exchange notes that under the proposal, SPY, QQQ, and IWM Public Customer Complex Orders will not be assessed a fee regardless of whether the Complex Order executes in the Complex Order Book or the BOX Book. Further, the Exchange believes the proposed changes are equitable and not unfairly discriminatory as the proposed fee structure will apply uniformly to all Participants.

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 proposal does not impose an undue burden on intermarket competition. The Exchange believes its proposal to decrease fees for SPY, QQQ, and IWM Public Customer Complex Orders that execute against the BOX Book will allow BOX to compete with other options markets. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges. Because competitors are free to modify their own fees and rebates in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The Exchange believes that the proposed changes do not impose an undue burden on intra-market competition because the proposal will not place any category of market participant at a competitive disadvantage. Specifically, the Exchange believes that assessing no fees to the legs of SPY, IWM, or QQQ Public Customer Complex Orders that trade against the BOX Book does not impose an undue burden on intra-market competition because the proposed change is designed to attract Public Customer order flow which increases the number of executions on BOX, thus

benefiting all market participants. The Exchange believes further that separating SPY, IWM, and QQQ Complex Order transaction fees from Penny Interval Classes does not impose an undue burden on competition because the proposal changes the structure of the Fee Schedule but does not change the fees assessed or rebates offered.

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.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-BOX-2024-10 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-2024-10. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office

of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-BOX-2024-10 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Sherry R. Haywood,

Assistant Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).