

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101536; File No. SR-BOX-2024-26)

November 7, 2024

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule relating to BOX Connectivity Fees and Port Fees for Trading on the BOX Options Market LLC 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 October 24, 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 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 relating to BOX Connectivity Fees and Port Fees 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 the Fee Schedule to increase Connectivity Fees for 10 gigabit (“Gb”) Connections, Non-10 Gb Connections, Financial Information Exchange (“FIX”) Ports, SOLA[®] Access Information Language (“SAIL”) Ports, Drop Copy Ports, and High Speed Vendor Feed (“HSVF”) Ports (collectively “Connectivity and Ports”).⁵ Specifically, the Exchange proposes a one-time⁶ increase to its fees for Connectivity and Ports in Sections III.A.2 and III.B of the Fee Schedule.

By way of background, a physical connection is utilized by a Participant or non-Participant to connect to BOX at the datacenters where BOX’s servers are located. BOX currently assesses the following physical connectivity fees for Participants and non-Participants on a monthly basis: \$1,000 per connection for a Non-10 Gb Connection and \$5,000 per

⁵ The Exchange initially filed the proposed pricing change on June 3, 2024 (SR-BOX-2024-13). On June 18, 2024, the Exchange withdrew that filing and submitted SR-BOX-2024-16. On August 16, 2024, the Exchange withdrew SR-BOX-2024-16 and submitted SR-BOX-2024-19. On October 10, 2024, the Exchange withdrew SR-BOX-2024-19 and submitted SR-BOX-2024-24. The instant filing replaces SR-BOX-2024-24, which was withdrawn on October 24, 2024.

⁶ If the Exchange intends to increase or decrease fees for Connectivity and Ports in the future, the Exchange would be required to file a proposed rule change with the Commission under Section 19(b) of the Act to amend its Fee Schedule.

connection for a 10 Gb Connection. The Exchange proposes to increase, on a one-time basis, the monthly fee for Non-10 Gb Connections from \$1,000 to \$1,080 per connection and from \$5,000 to \$5,400 monthly fee for each 10 Gb Connection. The Exchange notes the proposed fee changes better enable BOX to continue to maintain and improve its market technology and services.

Further, BOX currently provides four types of ports, including: (i) the FIX Port, which allows Participants to electronically send orders in all products traded on BOX; (ii) the SAIL Port, which allows Market Makers to submit electronic quotes and orders and other Participants to submit orders to BOX; (iii) the Drop Copy Port, which provides a real-time feed containing trade execution, trade correction, trade cancellation and trade allocation for regular and complex orders on BOX for Participants; and (iv) the HSVF Port, which provides a BOX market data feed for both Participants and non-Participants. The Exchange notes that Participants must connect to a minimum of one port via FIX or SAIL and that there is no minimum or maximum number of ports required for the Drop Copy Port or the HSVF Port.

Current FIX Port fees are as follows:

FIX Ports	BOX Monthly Port Fees
1 st FIX Port	\$500 per port per month
FIX Ports 2 through 5	\$250 per port per month
Additional FIX Ports over 5	\$150 per port per month

Current SAIL Port fees are as follows:

SAIL Ports	BOX Monthly Port Fees
Market Making	\$1,000 per month for all Ports
Order Entry	\$500 per month per port (1-5 Ports) \$150 per month for each additional Port

The Exchange proposes to increase FIX Port fees on a one-time basis as follows:

FIX Ports	BOX Monthly Port Fees
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1 st FIX Port	\$540 per port per month
FIX Ports 2 through 5	\$270 per port per month
Additional FIX Ports over 5	\$162 per port per month

The Exchange proposes to increase SAIL Port fees on a one-time basis as follows:

SAIL Ports	BOX Monthly Port Fees
Market Making	\$1,080 per month for all Ports
Order Entry	\$540 per month per port (1-5 Ports) \$162 per month for each additional Port

The Exchange also proposes to increase Drop Copy Ports on a one-time basis, currently \$500 per port per month, to \$540 per port per month for each month a Participant is credentialed to use a Drop Copy Port. Drop Copy Port fees will remain capped at \$2,000 per month.

The Exchange proposes lastly to increase HSVF Port fees on a one-time basis, currently \$1,500 per month, to \$1,620 per month for each month a Participant or non-Participant is credentialed to use the HSVF Port.

The Exchange notes that BOX continuously invests in improvements that enhance the value of its Connectivity and Ports services. BOX has expended, and will continue to expend, resources to innovate and modernize technology so that it may benefit its Participants and continue to compete among other options markets. BOX regularly invests in efforts to support and optimize its systems to support system capacity, reliability, and performance. Yet the Exchange has not adjusted any of the fees included in this proposal since 2018, to even partially offset the costs of maintaining and enhancing its Connectivity and Ports services.⁷

⁷ The 10 Gb and Non-10 Gb Connection fees were initially effective on July 19, 2018. See Securities Exchange Act Release No. 83728 (July 27, 2018), 83 FR 37853 (August 2, 2018) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule on BOX Market LLC (“BOX”) Options Facility To Establish BOX Connectivity Fees for Participants and Non-Participants Who Connect to the BOX Network). These fees were suspended on September 17, 2018 and became effective again on October 31, 2019. HSVF port fees were increased on January 31, 2018. See Securities Exchange

As discussed below, the Exchange proposes to adjust Connectivity and Ports fees by an industry- and product-specific inflationary measure. It is reasonable and consistent with the Securities and Exchange Act of 1934 (the “Act”) for BOX to recoup its investments, at least in part, by adjusting its fees. Continuing to operate at fees frozen at 2018 levels impacts BOX’s ability to enhance its services and the interests of market participants. The proposed fee increases are based on an industry-specific Producer Price Index (PPI), which is a tailored measure of inflation.⁸ As a general matter, the Producer Price Index is a family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPI measures price change from the perspective of the seller. This contrasts with other metrics, such as the Consumer Price Index (CPI), that measure price change from the purchaser’s perspective.⁹ About 10,000 PPIs for individual products and groups of products are tracked and released each month.¹⁰ PPIs are available for the output of nearly all industries in the goods-producing sectors of the U.S. economy—mining, manufacturing, agriculture, fishing, and forestry—as well as natural gas, electricity, and construction, among others. The PPI program covers approximately 69 percent of the service sector’s output, as measured by revenue reported in the 2017 Economic Census. For purposes of this proposal, the relevant industry-specific PPI is the Data Processing and Related Services PPI (“Data PPI”), which is an industry net-output PPI that measures the average change in selling prices received by companies that provide data

Act Release No. 82654 (February 7, 2018), 83 FR 6284 (February 13, 2018) (SR-BOX-2018-04) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Section VI. (Technology Fees) of the BOX Fee Schedule). SAIL, FIX, and Drop Copy port fees were established on April 27, 2018. See Securities Exchange Act Release No. 83197 (May 9, 2018), 83 FR 22567 (May 15, 2018) (SR-BOX-2018-15) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule on the BOX Market LLC (“BOX”) Options Facility To Amend Connectivity Fees and Establish Port Fees).

⁸ See <https://fred.stlouisfed.org/series/PCU51825182>.

⁹ See <https://www.bls.gov/ppi/overview.htm>.

¹⁰ Id.

processing services. The Data PPI was introduced in January 2002 by the Bureau of Labor Statistics (BLS) as part of an ongoing effort to expand Producer Price Index coverage of the services sector of the U.S. economy and is identified as NAICS - 518210 in the North American Industry Classification System.¹¹ According to the BLS “[t]he primary output of NAICS 518210 is the provision of electronic data processing services. In the broadest sense, computer services companies help their customers efficiently use technology. The processing services market consists of vendors who use their own computer systems—often utilizing proprietary software—to process customers’ transactions and data. Companies that offer processing services collect, organize, and store a customer’s transactions and other data for record-keeping purposes. Price movements for the NAICS 518210 index are based on changes in the revenue received by companies that provide data processing services. Each month, companies provide net transaction prices for a specified service. The transaction is an actual contract selected by probability, where the price-determining characteristics are held constant while the service is repriced. The prices used in index calculation are the actual prices billed for the selected service contract.”¹² The Exchange believes the Data PPI is an appropriate measure to be considered in the context of the proposed rule change to increase the fees for BOX Connectivity and Ports because BOX uses its “own computer systems” and “proprietary software,” i.e., its own servers and proprietary matching engine software, respectively, to collect, organize, store and report customers’ transactions on BOX’s proprietary trading platform. In other words, BOX is in the business of data processing and related services.

¹¹ NAICS appears in the PPI Detailed Report and is available at <https://data.bls.gov/dataViewer/view/timeseries/PCU5182--5182-->.

¹² See <https://www.bls.gov/ppi/factsheets/producer-price-index-for-the-data-processing-and-related-services-industry-naics-518210.htm>.

For the period from July 2018 to August 2024, the Data PPI had a starting value of 107 in July 2018 and an ending value of 116.022 in August 2024, an 8.43% increase.¹³ This indicates that companies who are also in the data storage and processing business have generally increased prices for a specified service covered under NAICS 518210 by an average of 8.43% during this period. Based on that percentage change, the Exchange proposes to make a one-time fee increase of 8% for BOX Connectivity and Ports, which reflects an increase covering approximately the period since the last adjustment was made. The Exchange further believes the Data PPI is an appropriate measure for purposes of the proposed change on the basis that it is a stable metric with limited volatility, unlike other consumer-side inflation metrics. In fact, the Data PPI has not experienced a greater than 2.16% increase for any one calendar year period since Data PPI was introduced into the PPI in January 2002. The average calendar year change from January 2002 to December 2023 was .62%, with a cumulative increase of 15.67% over this 21-year period. The Exchange believes the Data PPI is considerably less volatile than other inflation metrics such as CPI, which has had individual calendar-year increases of more than 6.5%, and a cumulative increase of over 73% over the same period.¹⁴ The Exchange believes the Data PPI, and significant investments into and enhanced performance of BOX, support the reasonableness of the proposed fee increases.¹⁵

2. Statutory Basis

¹³ The Exchange used July 2018 as a starting point for measuring Data PPI because that is when the last of the Connectivity and Ports fees were established. See supra note 7.

¹⁴ See <https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/>.

¹⁵ See infra discussion of system performance advancements. Additionally, other exchanges have filed for increases in certain fees, based in part on comparisons to inflation. See, e.g., Securities Exchange Act Release Nos. 101017 (September 12, 2024), 89 FR 76545 (September 18, 2024) (SR-CboeBYX-2024-032); 100513 (July 12, 2024), 89 FR 58460 (July 18, 2024) (SR-Phlx-2024-27).

The Exchange believes the proposed rule change is consistent with the “Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁷ requirements that the rules of an exchange be 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 regulating, clearing, settling, processing information with respect to, and 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4)¹⁹ of the Act, which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Participants and other persons using its facilities.

This belief is based on two factors. First, the current fees do not properly reflect the quality of the services and products, as the fees for the services and products in question have been static in nominal terms, and therefore falling in real terms due to inflation. Second, the Exchange believes that investments made in enhancing the capacity and speed of BOX systems increase the performance of the services and products.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ Id.

¹⁹ 15 U.S.C. 78f(b)(4).

As noted above, the Exchange has not increased any of the fees included in the proposal since 2018. However, in the years following the last fee increase BOX has made significant investments in upgrades to BOX systems, enhancing the quality of its services, as measured by, among other things, increased throughput and faster processing speeds. In other words, BOX customers have greatly benefitted, while the BOX's ability to recoup its investments has been hampered. Between 2018 and 2024, the inflation rate is 3.86% per year, on average, producing a cumulative inflation rate of 25.50%.²⁰ Using the more targeted inflation number of Data PPI, the cumulative inflation rate was 8.43% during an approximately similar time period.²¹ The Exchange believes the Data PPI is a reasonable metric to base this fee increase on because it is targeted to producer-side increases in the data processing industry, which based on the definition adopted by BLS would include BOX's Connectivity and Ports services. Notwithstanding inflation, as noted above, the Exchange has not increased its fees at all for over six years for the subject services. The proposed fee changes represent a modest increase from the current fees.

The Exchange believes the proposed fee increase is reasonable in light of BOX's continued expenditure in maintaining a robust technology ecosystem. Furthermore, BOX continues to invest in maintaining and enhancing its Connectivity and Ports services – for the benefit and often at the behest of its Participants. Specifically, BOX has recently replaced trading servers and added additional servers to increase performance and capacity, to increase competitiveness, and to support growth. For example, the rapid growth of trading volumes from 2020 has increased the number of servers, network devices, and telecommunications lines required to keep pace with the growth of trade, order, and quote data. As part of another recent

²⁰ See <https://www.officialdata.org/us/inflation/2018?amount=1>.

²¹ The general CPI inflation rate was measured from the beginning of 2018 through October 24, 2024, while the Data PPI was measured from July 2018 through August 2024.

change, BOX deployed additional low latency network switches and increased its datacenter space. As a result of these initiatives, BOX increased its overall hardware footprint at the datacenters which directly results in increased support costs at the datacenter as well.

The goal of the initiatives discussed above, among other things, is to provide faster and more consistent order handling and matching performance for options, while ensuring quicker processing time and supporting increasing volumes. Accordingly, BOX continuously invests in improvements that enhance the value of its Connectivity and Ports services. As discussed above, BOX expended, and will continue to expend, resources to innovate and modernize technology so that it may benefit its Participants and continue to compete among other options markets. BOX regularly invests in efforts to support and optimize its systems to support system capacity, reliability, and performance.

Further, the Exchange notes that Participants and non-Participants will continue to choose the method of connectivity based on their specific needs and no broker-dealer is required to become a Participant of, let alone connect directly to, BOX. Moreover, direct connectivity is not a requirement to participate on BOX. Participants may choose to connect indirectly to BOX via a third-party reseller of connectivity. This indirect connectivity is a viable alternative for market participants to consume market data from BOX without connecting directly to BOX (and thus not pay BOX's connectivity fees), which alternative is already being used by both Participants and non-Participants.

The Exchange believes that the proposed fee changes are equitably allocated and not unfairly discriminatory because the fee increase would be applied uniformly across all market participants that voluntarily subscribe to or purchase connectivity or ports. The Exchange also believes that the proposal represents an equitable allocation of reasonable dues, fees and other

charges because Exchange fees have fallen in real terms during the relevant period. Finally, the Exchange believes that the proposed fee changes are not unfairly discriminatory because the fees would be assessed uniformly across all market participants, that voluntarily purchase connectivity or ports, in the same manner they are today. The Exchange also notes that its Connectivity and Ports services remain available for purchase by all market 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 proposed fee changes will not impact intramarket competition because it will apply to all similarly situated Participants and non-Participants equally (i.e., all market participants that choose to purchase connectivity or ports).²² As such, the Exchange believes that the proposed fees do not put any market participants at a relative disadvantage compared to other market participants. As noted above, the fee schedule would continue to apply to all market participants that choose to connect to BOX in the same manner as it does today albeit at inflation-adjusted rates for certain fees, and market participants may choose whether to connect directly to BOX at all. The Exchange also believes that the level of the proposed fees neither favor nor penalize one or more categories of market participants in a manner that would impose an undue burden on competition.

The Exchange believes that the proposed fees do not impose a burden on intermarket competition that is not necessary or appropriate. In determining the proposed fees, the Exchange utilized an objective and stable metric with limited volatility. Utilizing Data PPI over a specified period of time is a reasonable means of recouping BOX's investment in maintaining and enhancing its Connectivity and Ports services. The Exchange believes utilizing Data PPI, a

²² The Exchange notes that only Participants may purchase FIX Ports, SAIL Ports, and Drop Copy Ports.

tailored measure of inflation, to increase certain fees for BOX connectivity to recoup BOX's investment in maintaining and enhancing its Connectivity and Ports services would not impose a burden on intermarket competition.

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 Effectiveness

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²³ and Rule 19b-4(f)(2) thereunder,²⁴ 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.

²³ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁴ 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-2024-26 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-2024-26. 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-2024-26 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.²⁵

Sherry R. Haywood,

Assistant Secretary.

²⁵ 17 CFR 200.30-3(a)(12).