SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106819; File No. SR-BOX-2026-21]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Rules to Govern the Trading of FLEX Equity Options in Electronic Auctions

November 4, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on October 21, 2026, BOX 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 from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rules 5055 (FLEX Equity Options) and 7240 (Complex Orders), and to add Rules 7155 (FLEX Price Improvement Period ("FLEX PIP")) and 7275 (FLEX Solicitation Auction) to govern the trading of FLEX Equity Options in electronic auctions. The text of the proposed rule change is available from the principal office of the Exchange, 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.

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 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

FLEX Equity Options are customized options contracts that allow investors to tailor contract terms for exchange-listed equity options. FLEX Equity Options are designed to meet the needs of investors for greater flexibility in selecting the terms of options within the parameters of the Exchange's rules. FLEX Equity Options are not preestablished for trading and are not listed individually for trading on BOX. Rather, investors select FLEX Equity Option terms and are limited by the parameters set forth in Rule 5055 in their selection of those terms. As a result, FLEX Equity Options allow investors to specify more specific, individualized investment objectives than may be available to them in the standardized options market.

FLEX Equity Options and FLEX Open Outcry ("FOO") Orders were approved for trading on BOX on May 15, 2024.[3] FOO Orders are limited solely to the BOX Trading Floor.[4] The Exchange now proposes to adopt rules that will govern the listing and trading of FLEX

[3] See Securities and Exchange Act Release No. 100156 (May 15, 2024), 89 FR 44721 (May 21, 2024) (SR-BOX-2023-20) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 3, To Adopt Rules To Govern FLEX Equity Options on the BOX Trading Floor).

[4] See BOX Rule 7605(b).

Equity Options on the Exchange's electronic market. The Exchange notes that FLEX options trade electronically on Cboe Exchange, Inc. ("CBOE"), Nasdaq PHLX LLC ("Nasdaq PHLX"), and Nasdaq ISE, LLC ("Nasdaq ISE").[5] The proposal allows for the trading of FLEX Equity Options in electronic auctions in a substantially similar manner as both CBOE and Nasdaq ISE's electronic markets, with certain intended differences primarily to align to current System behavior (and especially current auction behavior) to provide increased consistency for Participants trading FLEX Equity Options and Non-FLEX Equity Options on BOX, as discussed in detail below. The Exchange notes further that in Nasdaq ISE's recently approved filing to adopt FLEX options and electronic FLEX options trading, Nasdaq ISE compared its proposed rules to CBOE's established rules.[6] This proposal will also compare the Exchange's proposed rules to CBOE's established rules. Accordingly, the Exchange has omitted certain CBOE rules from the proposed rules due to differences in scope and operation of FLEX trading at CBOE compared to the proposed scope and operation of FLEX trading on BOX, each as noted below. For example, the Exchange proposes only to add price improvement and solicitation auctions and will not add Electronic FLEX Auctions as defined in CBOE Rule 5.72(c). Further, BOX does not allow prices in FLEX trading to be expressed as percentages.

The Exchange proposes amendments to Rule 5055 to accommodate FLEX Equity Option trading in electronic auctions. Specifically, the Exchange proposes to include Rules 7155 (FLEX PIP) and 7275 (FLEX Solicitation Auction) as Rules that govern FLEX Equity Options trading,

---

5 See CBOE Rules 5.72-5.74, Nasdaq PHLX Rules, Options 3A, and Nasdaq ISE Rules, Options 3A.

6 See Securities and Exchange Act Release No. 101720 (November 22, 2024), 89 FR 94986 (November 29, 2024) (SR-ISE-2024-12) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Adopt Rules to List and Trade FLEX Options). The Exchange notes that Nasdaq PHLX, a Nasdaq ISE affiliate, based its rules on Nasdaq ISE. See Securities and Exchange Act Release No. 103759 (August 21, 2025) (SR-PHLX-2025-38) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Electronic FLEX Options Rules).

in proposed Rule 5055(a), along with current Rule 7605 (FOO Orders).[7] The Exchange also proposes to remove the language from Rule 5055(b)(3), which provides that FLEX Equity Options may not be traded using any other order type than FOO Orders or other trading mechanism offered by the Exchange and add new subparagraph (3) to provide that FLEX Equity Options may only be traded as provided in proposed rules 7155 (FLEX PIP) and 7275 (FLEX Solicitation Auction), and current Rule 7605 (FOO Orders).[8]

The Exchange also proposes to provide as new subparagraphs (4) and (5) in Rule 5055(f) (Fungibility of FLEX Equity Options) that:

> If a Non-FLEX Equity Option series is added intra-day for a component leg(s) of a FLEX Complex Order or FLEX Multi-Leg Order, the holder or writer of a FLEX Equity Option position in the component leg(s) resulting from such FLEX Complex Order or FLEX Multi-Leg Order would be permitted to close its position(s) under the FLEX trading procedures against another closing only FLEX Equity Option position for the balance of the trading day on which the Non-FLEX Equity Option series is added, and;
>
> If a Non-FLEX Equity Option series is added for a component leg(s) of a FLEX Complex Order or FLEX Multi-Leg Order on a trading day after the FLEX Complex Order or FLEX Multi-Leg Order position is established, the holder or writer of a FLEX Equity Option position in the component leg(s) resulting from such FLEX Complex Order or FLEX Multi-Leg Order would be required to execute separate FLEX Equity Option and Non-FLEX Equity Option transactions to close its position(s), such that FLEX Equity Option component leg(s) would trade under the FLEX trading procedures and Non-FLEX Equity Option component leg(s) would trade subject to the non-FLEX trading procedures and rules.[9]

Lastly, the Exchange proposes to amend Rule 5055(l) to make the Letter of Authorization requirement for transactions in FLEX Equity Options applicable to Order Flow Providers in addition to Floor Brokers. As proposed, Rule 5055(l) will provide:

> *Letter of Authorization*. No Floor Broker or Order Flow Provider shall effect any transaction in FLEX Equity Options unless a Letter of Authorization has been issued by a

---

7 See proposed Rule 5055(a).

8 See proposed Rules 5055(a)(3) and (b)(3).

9 See proposed Rules 5055(f)(4) and (5). The Exchange notes that these proposed rules align with current Rule 7605(d).

clearing member organization and filed with the Exchange specifically accepting responsibility for the clearance of FLEX Equity Option transactions of the Floor Broker or Order Flow Provider. The Letter of Authorization remains in effect until a written revocation is received by the Exchange.

The Exchange proposes to add new defined terms for "FLEX Complex Order" and "FLEX Multi-Leg Order" where the term "FLEX Complex Order" means an electronic Complex Order as defined in Rule 7240(a)(7) composed of FLEX Equity Options where each option leg must be for a FLEX Equity Option series authorized for FLEX trading with the same underlying security and each option leg must have the same exercise style (American or European) and the term "FLEX Multi-Leg Order" means an electronic Multi-Leg Order as defined in Rule 7240(a)(10) composed of FLEX Equity Options where each option leg must be for a FLEX Equity Option series authorized for FLEX trading with the same underlying security and each option leg must have the same exercise style (American or European).[10]

The Exchange proposes to establish PIP functionality for FLEX Equity Options in Rule 7155. The proposed FLEX PIP auction will be substantially similar to CBOE's FLEX AIM in CBOE Rule 5.73, except for certain intended differences as further described below. Pursuant to proposed Rule 7155, Options Participants, approved by the Exchange to trade FLEX Equity Options ("Initiating FLEX Participants") may electronically submit for execution an order (which may be for a single FLEX Equity Option series, FLEX Complex Order, or FLEX Multi-Leg Order) it represents as agent ("FLEX PIP Order") against principal interest or a solicited order(s) (a "FLEX Primary Improvement Order") provided it submits the FLEX PIP Order for electronic execution into a FLEX PIP pursuant to this Rule.[11]

---

[10] See proposed Rules 7240(a)(11) and (12).

[11] See proposed Rule 7155, which is based on CBOE Rule 5.73. The Exchange notes the proposed rule will not incorporate the reference to FLEX SPX as this is a CBOE-specific product.

Proposed Rule 7155(a) will set forth the FLEX PIP auction eligibility requirements. Specifically, the Initiating Participant may initiate a FLEX PIP auction if all of the following conditions are met:

- Class. A FLEX PIP Order must be in a FLEX Equity Option class authorized for trading by the Exchange.[12]
- FLEX Equity Option Series. The FLEX PIP Order and FLEX Primary Improvement Order must each be for a permissible FLEX Equity Option series that complies with Rule 5055. For a FLEX Complex Order or FLEX Multi-Leg Order, each leg must be in a permissible FLEX Equity Option series that complies with Rule 5055.
- Marking. The Initiating Participant must mark a FLEX PIP Order for FLEX PIP processing.
- Size. There will be no minimum size for FLEX PIP Orders. The FLEX Primary Improvement Order must be for the same size as the FLEX PIP Order.
- Minimum Increment. The price of the FLEX PIP Order and FLEX Primary Improvement Order must be in increments of one cent ($0.01) for all series. If the FLEX PIP Order and FLEX Primary Improvement Order are FLEX Complex Orders or FLEX Multi-Leg Orders, the price must be a net price for the strategy.[13]
- Time. An Initiating FLEX Participant may only submit a FLEX PIP Order to a FLEX PIP after the opening for trading of the underlying security in the primary market.

---

12 Both physically settled FLEX Equity Options and those FLEX Equity Options that are permitted to have cash settlement, as provided by Rule 5050(e)(3)(i), will be permitted to trade via the FLEX PIP auction.

13 The Exchange notes that it is not proposing order prices or minimum increments as a percentage. The Exchange notes further that one cent ($0.01) is the minimum increment for FLEX Equity Options in Rule 5055(g).

The System will reject or cancel both a FLEX PIP Order and FLEX Primary Improvement Order submitted to a FLEX PIP that do not meet the conditions in proposed paragraph (a) as described above. The proposed FLEX PIP eligibility requirements in proposed Rule 7155 are substantially similar to CBOE's FLEX AIM eligibility requirements in CBOE Rule 5.73(a), except with respect to the language related to the percentage value, as noted above.

Pursuant to proposed Rule 7155(b), the FLEX Primary Improvement Order must stop the entire FLEX PIP Order at a specified price. If the FLEX PIP Order and FLEX Primary Improvement Order are FLEX Complex Orders or FLEX Multi-Leg Orders, the price must be a net price for the strategy.[14] In particular, the Initiating Participant must specify either of the below.

- Pursuant to proposed subparagraph (b)(1), a single price at which it seeks to execute the FLEX PIP Order against the FLEX Primary Improvement Order (a "single-price submission"), including designation of a lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the FLEX PIP (as described in proposed Rule 7155(e)(4)). This is similar to CBOE Rule 5.73(b)(1), except the Exchange is not proposing to allow Initiating Participants to elect for the FLEX Primary Improvement Order to have last priority to trade against the FLEX PIP Order, and will instead allow them to elect less than their guaranteed allocation.[15] As further

---

14 See CBOE Rule 5.73(b) for similar provisions, except the Exchange will not allow prices to be entered as a percentage value, and therefore will not incorporate the applicable language from CBOE's rule into proposed Rule 7155(b).

15 The Initiating FLEX Participant may designate a Surrender Quantity or lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the FLEX PIP auction than it is entitled to pursuant to the provisions of proposed Rule 7155(e)(1)(B). If the aggregate size of other FLEX Participants' responses is not equal to or greater than the Surrender Quantity, then the remaining Surrender Quantity shall be left unfilled and the FLEX Primary Improvement Order shall be allocated the remaining size of the FLEX PIP Order. CBOE's rule does not allow for the Initiating Participant to designate a specific surrender quantity rather last priority is designated. The Exchange notes that non-FLEX rules on

discussed below, the proposed guaranteed allocation process will be based on the guaranteed allocation process available in non-FLEX PIP, and therefore the proposed rule change will provide further consistency across BOX's auction mechanism processes.[16]

- Pursuant to subparagraph (b)(2), an initial stop price and instruction to automatically match the price and size of all FLEX PIP responses ("auto-match") at each price, up to a designated limit price, better than the price at which the balance of the FLEX PIP Order can be fully executed (the "final auction price"). This is substantially similar to CBOE Rule 5.73(b)(2). The System rejects or cancels both a FLEX PIP Order and FLEX Primary Improvement Order submitted to a FLEX PIP that do not meet the conditions in this paragraph (b).

Proposed Rule 7155(c) will govern the FLEX PIP process. Specifically, upon receipt of a FLEX PIP Order that meets the conditions in paragraphs (a) and (b) as described above, the FLEX PIP process commences. Proposed subparagraph (c)(1) will provide that a FLEX PIP will not run simultaneously with another FLEX PIP in the same series, nor will FLEX PIPs interact, queue or overlap in any manner. Any request to initiate a FLEX PIP while a FLEX PIP is already in progress in the same series will be rejected.

The Exchange will accept, however, orders designated for the FLEX PIP on a single option series where a FLEX PIP on a Complex or Multi-Leg Order that includes such series may be in progress. The Exchange will also accept Complex or Multi-Leg Orders designated for the FLEX PIP where a FLEX PIP on either of the component series may be in progress. Order execution at the conclusion of such FLEX PIPs shall occur as set forth in proposed Rule 7155.

CBOE and BOX also specify last priority and surrender quantity respectively. See CBOE Rule 5.37(e)(5) and BOX Rule 7150(h)(5).

[16] See infra note 34 for further discussion on the guaranteed allocation process.

The lack of concurrent FLEX PIPs is designed to align to current System behavior (and especially current auction behavior) to provide increased consistency for Participants trading FLEX Equity Options and Non-FLEX Equity Options on BOX.[17] The Exchange notes that this proposed subsection (c) differs from CBOE Rules 5.73(c)(1)(A) and (B), but again notes that the proposed functionality is consistent with BOX's current non-FLEX auction functionality.

Pursuant to proposed Rule 7155(c)(2), the System initiates the FLEX PIP process by sending a FLEX PIP notification message detailing the series or strategy, size, stop price, side of market, and when the FLEX PIP will conclude as applicable, of the FLEX PIP Order by broadcasting a message via the Exchange's data feeds. FLEX PIP notification messages are not disseminated to OPRA.[18]

Proposed Rule 7155(c)(3) will describe the "FLEX PIP Auction period," and is based on CBOE Rule 5.73(c)(3). The "FLEX PIP Auction period" is a period of time designated by the Initiating FLEX Participant, which may be no less than three seconds and no more than five minutes.[19] The Initiating Participant will be required to identify a length of time within the specified parameters for FLEX PIP. If the Initiating Participant does not provide a length of time, the system will utilize the system default, which shall be three seconds. Further, if the designated length of the FLEX PIP Auction period exceeds the market close, then the auction will end at the market close without an execution. In doing so, the Exchange's proposal will prevent executions from occurring after the market close. Proposed Rule 7155(c)(4) will provide that an Initiating

---

17 See BOX IM-7150-2.

18 See CBOE Rule 5.73(c)(2) for substantially similar provisions except the Exchange will not incorporate the reference to SPX as it does not list this symbol.

19 The Exchange notes that CBOE Rule 5.73(c)(3) specifies that the designated length of the FLEX AIM Auction period may not be longer than the amount of time remaining until the market close. While this differs from BOX's proposal, BOX's System will cancel a FLEX PIP that is not over by the market close without execution.

Participant may not cancel a FLEX PIP Order or FLEX Primary Improvement Order but may modify a FLEX Primary Improvement Order to improve its price after submission to a FLEX PIP. This will be similar to CBOE Rule 5.73(c)(4) except unlike CBOE, the Exchange will allow a limited exception by allowing Initiating Participants to improve the price of their FLEX Primary Improvement Orders. The Exchange notes that this will align to current non-FLEX PIP behavior, which allows entering Participants to improve their Primary Improvement Orders.[20] Similar to allowing the entering Participant of a non-FLEX PIP to improve the price of its Primary Improvement Order, the Exchange believes that it is appropriate to allow the Initiating Participant of the FLEX PIP to improve the price of its FLEX Primary Improvement Order (i.e., contra-side to the FLEX PIP Order) because it would also improve the stop price of the FLEX PIP Order that came in together with the FLEX Primary Improvement Order.[21]

Proposed Rule 7155(c)(5) will govern the requirements for FLEX PIP responses. Specifically:

- Any FLEX Participant (other than the Initiating Participant) may submit responses to a FLEX PIP that are properly marked specifying price, size, side for the FLEX PIP to which the Participant is submitting the response.[22]

---

20 See BOX Rule 7150(f)(2) (providing that the Initiating Participant is not permitted to cancel or to modify the size of its Single-Priced Primary Improvement Order or the PIP Order at any time during the PIP, and may modify only the price of its Single-Priced Primary Improvement Order by improving it. The Initiating Participant is not permitted to cancel or modify the Max Improvement Primary Improvement Order, including the PIP Start Price, the designated limit price or the size). Primary Improvement Orders (i.e., contra-side to the PIP Order) for PIP are functionally equivalent to FLEX Primary Improvement Orders (i.e., contra-side order to the FLEX PIP Order) for FLEX PIP. See BOX Rule 7150(f) for a description of Primary Improvement Orders.

21 As proposed, the Initiating Participant enters a FLEX PIP consisting of a FLEX PIP Order and a FLEX Primary Improvement Order (which is the contra-side of the FLEX PIP Order). This is identical to how non-FLEX PIP works today in that the Initiating Participant enters a paired order into non-FLEX PIP consisting of a PIP Order and a Primary Improvement Order. The Exchange notes that a PIP Improvement Order is the functional equivalent of a FLEX PIP response.

22 See proposed Rule 7155(c)(5), which is based on CBOE Rule 5.73(c)(5). The Exchange notes that this proposed subsection (c)(5) differs from CBOE Rules 5.73(c)(5) because a FLEX PIP will not run

- The minimum price increment for FLEX PIP responses is one-cent ($0.01) for all series. A response to a FLEX PIP of a FLEX Complex or FLEX Multi-Leg Order must have a net price. The System rejects a FLEX PIP response that is not in the applicable minimum increment or format.[23]
- A FLEX Participant may continually submit competing FLEX PIP responses for any price equal to or better than the FLEX Primary Improvement Order, and may improve the price of their response(s) at any point during the FLEX PIP. Subsequent FLEX PIP responses replace the previous response, provided that it improved the price of the previous response.[24] Responses submitted by FLEX Participants are processed by Trader ID.[25] If an additional FLEX PIP response is submitted for the same FLEX PIP from the same Trader ID, then that FLEX PIP response will replace the previous FLEX PIP response for that Trader ID.[26]

simultaneously with another FLEX PIP and, therefore need not specify which response may participate in which auction. The Exchange notes further that the proposed functionality is consistent with current non-FLEX auction functionality. See BOX IM-7150-2.

23 See proposed Rule(c)(5)(A), which is based on CBOE Rule 5.73(c)(5)(A) except the Exchange will not allow prices to be expressed as a percentage value. Further, the Exchange will not incorporate the CBOE rule portions on Index Combo Orders as the Exchange does not offer this functionality. The Exchange notes that it will not determine minimum increments on a class basis, which is consistent with established FLEX Equity Option trading on the BOX Trading Floor. See BOX Rule 5055(g).

24 See proposed Rule 7155(c)(5)(B), which is based on CBOE Rule 5.73(c)(5)(B). The Exchange notes that it will not aggregate FLEX PIP responses from the same Participant, which aligns with current non-FLEX PIP functionality. See BOX Rule 7150(f).

25 A Trader ID is a unique identifier created by BOX to identify each BOX Options Participant. A BOX Options Participant may be associated with multiple Trader IDs

26 This is similar to the electronic FLEX auction functionality offered by another exchange and similar to the current PIP functionality on the Exchange. See ISE Options 3A, Section 11(b)(2)(D) and BOX Rule 7150, respectively.

- Competing FLEX PIP responses may be for any size up to the size of the FLEX Primary Improvement Order.[27] The System rejects responses in excess of the size of the FLEX PIP Order when processing the FLEX PIP.
- FLEX PIP responses must be on the opposite side of the market as the FLEX PIP Order. The System rejects a FLEX PIP response on the same side of the market as the FLEX PIP Order.[28]
- FLEX PIP responses will not be visible to FLEX PIP Participants or disseminated to OPRA.[29]
- A FLEX Participant may modify or cancel its FLEX PIP responses during the FLEX PIP auction.[30]

Pursuant to proposed Rule 7155(d), a FLEX PIP concludes at the earliest to occur of the following times: (1) the end of the FLEX PIP Duration; and (2) any time the Exchange halts trading in the affected underlying, provided, however, that in such instances the FLEX PIP auction concludes without execution.[31]

Proposed Rule 7155(e) will govern how executions will occur in FLEX PIP. In particular, at the end of the FLEX PIP, the System allocates the FLEX Primary Improvement Order or FLEX PIP responses against the FLEX PIP Order at the best price(s), to the price at which the

---

27 See proposed Rule 7155(c)(5)(C), which is based on CBOE Rule 5.73(c)(5)(C).

28 See proposed Rule 7155(c)(5)(D), which is based on CBOE Rule 5.73(c)(5)(D).

29 See proposed Rule 7155(c)(5)(E), which is based on CBOE Rule 5.73(c)(5)(E).

30 See proposed Rule 7155(c)(5)(F), which is based on CBOE Rule 5.73(c)(5)(F).

31 See CBOE Rule 5.73(d) for similar provisions, except the Exchange will make a minor clarification that this rule applies when the Exchange halts trading in the affected underlying (and not series, which is what CBOE currently has in its rule).

balance of the FLEX PIP Order can be fully executed (the "final auction price"), as follows.[32] Proposed subparagraphs (e)(1) – (4) detail the FLEX PIP allocation methodology for the following scenarios:

- No Price Improvement: If the FLEX PIP results in no price improvement, the System executes the FLEX PIP Order at the stop price in the following order:
    - Public Customer responses (in time priority);[33]
    - The FLEX Primary Improvement Order for up to 50% of the FLEX PIP Order if there is a response(s) from one other Participant at the same price or up to 40% of the FLEX PIP Order if there are responses from two or more other Participants at the same price (which percentages are based on the number of contracts remaining after execution against Public Customer responses).[34] Unless there are remaining contracts after including all FLEX PIP responses, under no circumstances does the Initiating Participant receive an allocation percentage at the final auction price of more than 50% of the initial FLEX PIP Order in the event there is a response(s) from one other Participant or 40% of the initial FLEX PIP Order in the event there are responses from two or more other Participants.[35] For example, assume

---

32 See CBOE Rule 5.73(e) for similar provisions except the Exchange will not allow prices to be expressed as a percentage value.

33 See proposed Rule 7155(e)(1)(A), which is based on CBOE Rule 5.73(e)(1)(A).

34 See proposed Rule 7155(e)(1)(B)(ii), which is based on CBOE Rule 5.73(e)(1)(B)(ii). The Exchange notes that its proposed rules do not guarantee at least one contract. The Exchange notes further that the Initiating Participant may be allocated more than 50% of the Agency Order if there are remaining contracts after including all FLEX PIP responses.

35 See proposed Rule 7155(e)(1)(B), which is based on CBOE Rule 5.73(e)(1)(B). The proposed functionality will align to current non-FLEX PIP functionality. See BOX Rule 7150(h)(1)-(2).

an Initiating Participant submitted a FLEX PIP for 20 contracts and there are 2 FLEX PIP responses (one for 3 contracts and one for 4 contracts). After the 7 FLEX PIP response contracts are allocated, the Initiating Participant would then receive the remaining 13 contracts (which is more than their 40% allocation percentage) because there are remaining contracts after all FLEX PIP responses are included.

- All other FLEX PIP responses are allocated on a pro-rata basis. The System allocates orders proportionally according to size (i.e., on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions rounded down. If there remains any unallocated quantity of the FLEX PIP Order, the allocation method will be to allocate one contract of the FLEX PIP Order per FLEX PIP response in sequence until each remaining response has received one contract or until the FLEX PIP Order is fully allocated. Allocation sequence among responses in this step will be in order of size with the largest remaining response allocated first. Where two or more such responses are the same size, trade allocation sequence will be by time priority;[36] and
- The FLEX Primary Improvement Order to the extent there are any remaining contracts.[37]

---

36 See proposed Rule 7155(e)(1)(C), which is based on CBOE Rule 5.73(e)(1)(C).

37 See proposed Rule 7155(e)(1)(D), which is based on CBOE Rule 5.73(e)(1)(D).

- Price Improvement with Single-Price Submission: If the FLEX PIP auction results in price improvement for the FLEX PIP Order and the Initiating Participant selected a single-price submission, at each price better than the final auction price, the System executes the FLEX PIP Order in the following order:
    - Price-time priority such that responses with the lowest (highest) offer (bid) are executed in the order they are received.[38]

For example, assume a FLEX PIP Order is sent to buy 100 contracts with a price of $1.00 and the Initiating Participant selected a single-price submission. There are two FLEX PIP responses for 5 contracts each at $0.98, two FLEX PIP responses for 20 contracts each at $0.99, and two FLEX PIP responses for 40 contracts each at $1.00. The FLEX PIP responses at $0.98 and $0.99 will be executed in their entirety.[39] Then, the FLEX PIP responses at $1.00 (final auction price) will be executed on a pro-rata basis after Public Customers. At the final auction price, the System executes any remaining contracts from the FLEX PIP Order at that price in the order set forth in proposed Rule 7155(e)(1), as described above.[40] Specifically, the FLEX

---

38 See proposed Rule 7155(e)(2)(A). Unlike CBOE Rule 5.73(e)(2), which allocates contracts, at each price level better than the final auction price, Priority Customer and then pro-rata, the proposed rule allocates contracts, at each price better than the final auction price, on a price-time basis. The Exchange believes, although its proposal differs, the resulting allocations will be similar because all orders at each price level better than the final auction price will be filled. Specifically, "at each price level better than the final auction price up to the designated limit price, the System executes the FLEX PIP Order against the FLEX Primary Improvement Order for the number of contracts equal to the aggregate size of *all* FLEX PIP responses and then executes the Agency Order against those responses…." See proposed Rule 7155(e)(3) (emphasis added). Because all FLEX PIP responses, at each price level better than the final auction price are executed, the application of price-time or Priority Customer and then pro-rata priority results in a similar allocation of contracts regardless of which allocation methodology is applied.

39 The Exchange notes that, although CBOE applies Priority Customer and then pro rata priority at each price level better than the final auction price, and BOX proposes to apply price-time allocation at each price level better than the final auction price, regardless of allocation methodology, all contracts at $0.98 and $0.99 would be filled because there is sufficient FLEX PIP Order quantity.

40 See id. The Exchange again notes the proposed operation of FLEX PIP is consistent with the current operation of non-FLEX PIP. See BOX Rule 7150(g). The Exchange notes further that the proposed trade allocation at the final auction price is substantially similar to CBOE.

Primary Improvement Order is allocated 20 contracts (40% of the remaining 50 contracts) and 15 contracts are allocated to each FLEX PIP response at $1.00 (pro rata).

- Price Improvement with Auto-Match: If the FLEX PIP results in price improvement for the FLEX PIP Order and the Initiating Participant selected auto-match, at each price better than the final auction price up to the designated limit price, the System executes the FLEX PIP Order against the FLEX Primary Improvement Order for the number of contracts equal to the aggregate size of all FLEX PIP responses and then executes the FLEX PIP Order against those responses in the order set forth in proposed Rule 7155(e)(2) described above. At the final auction price, the System executes contracts at that price in the order set forth in proposed Rule 7155(e)(1) described above.[41]
- Surrender Quantity: At its option, the Initiating FLEX Participant may designate a lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the FLEX PIP than it is entitled to pursuant to the provisions of 7155(e)(1) or 7155(e)(2), above. When starting a FLEX PIP, the Initiating FLEX Participant may designate a lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the FLEX PIP than it is entitled to pursuant to the provisions of proposed Rule 7155(e)(1)(B).[42] Upon the conclusion of the FLEX PIP, when the System determines the priority and trade allocation amounts

---

41 See proposed Rule 7155(e)(3), which is based on CBOE Rule 5.73(e)(3).

42 See proposed Rule 7155(e)(4), which is based on CBOE Rule 5.73(e)(4) except CBOE's last priority feature differs from the Exchange's surrender quantity feature that allows Participants to request a lower amount for which it retains certain priority and trade allocation privileges upon the conclusion of the FLEX PIP than it will be entitled to pursuant to the provisions of proposed Rule 7155(e). As such, the difference between CBOE's rule and BOX's rule will be that BOX Participants will be able to customize their surrender quantities for FLEX PIP (which will follow the non-FLEX PIP process in Rule 7150(h)(5)) while CBOE's rules do not appear to allow this for FLEX AIM.

for the Initiating FLEX Participant pursuant to proposed Rule 7155(e)(1)(B), the Trading Host will automatically adjust the trade allocations to the other FLEX PIP Participants, according to the priority set forth in proposed Rule 7155(e), up to the Surrender Quantity. The FLEX Primary Improvement Order shall be allocated the remaining size of the FLEX PIP Order above the Surrender Quantity, if any, pursuant to proposed Rule 7155(e)(1)(D). Surrender Quantity information is not available to other market participants and may not be modified after it is submitted.[43]

Pursuant to proposed Rule 7155(e)(5), the System cancels any unexecuted FLEX PIP responses (or unexecuted portions) at the conclusion of the FLEX PIP auction.[44]

The Exchange proposes a number of interpretive materials applicable to FLEX PIP. Specifically, proposed IM-7155-1 will provide that a Participant may only use a FLEX PIP where there is a genuine intention to execute a bona fide transaction.[45] Proposed IM-7155-2 will provide that it will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 3000 to engage in a pattern of conduct where the Initiating FLEX Participant breaks up a FLEX PIP Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating FLEX Participant would have otherwise received in accordance with the allocation procedures contained in proposed paragraph (e) above.[46] Lastly, proposed IM-7155-3 will provide that an Exchange Official may nullify a transaction following a FLEX PIP pursuant to Rule 7170.[47]

---

43 See id.

44 See proposed Rule 7155(e)(5), which is based on CBOE Rule 5.73(e)(5).

45 See proposed IM-7155-1, which is based on CBOE Rule 5.73 Interpretations and Policies .01.

46 See proposed IM-7155-2, which is based on CBOE Rule 5.73 Interpretations and Policies .02.

47 See proposed IM-7155-3, which is based on CBOE Rule 5.73 Interpretations and Policies .03.

FLEX Solicitation Auction

The Exchange proposes to establish FLEX Solicitation Auction functionality for FLEX Equity Options in Rule 7275. The proposed FLEX Solicitation Auction will be substantially similar to CBOE's FLEX SAM in CBOE Rule 5.74, except for certain intended differences to align with BOX's current System functionality for Non-FLEX Equity Options, as further described below. Pursuant to proposed Rule 7275, Options Participants, approved by the Exchange to trade FLEX Equity Options ("Initiating FLEX Participants") may electronically submit for execution an order (which may be for a single FLEX Equity Option series, FLEX Complex Order, or FLEX Multi-Leg Order) it represents as agent ("Agency Order") against a solicited order (a "Solicited Order") provided it submits the Agency Order for electronic execution into a FLEX Solicitation Auction pursuant to this Rule.[48] Proposed Rules 7275(a)(1) – (6) will set forth the FLEX Solicitation Auction eligibility requirements, and will be substantially similar to CBOE Rules 5.74(a)(1) – (6) except as noted below. Specifically, Initiating FLEX Participants may initiate a FLEX Solicitation if all of the following conditions are met:

- Class. An Agency Order must be in a FLEX Equity Option class authorized for trading by the Exchange.[49]

---

48 See CBOE Rule 5.74 for similar provisions, except the Exchange will not add CBOE's language that the Solicited Order cannot have a Capacity F (i.e., Firm capacity) for the same executing firm ID ("EFID") as the Agency Order for the following reasons. Facilitated orders cannot be entered into the FLEX Solicitation Auction (just like they cannot be entered into the non-FLEX Solicitation Auction today). Since an order with the capacity of Firm can be valid for a solicitation order, BOX will not System enforce the rejection of Firm capacity orders to avoid the rejection of contra-side orders that are entered with a Firm capacity and are, in fact, solicitations at the outset. Instead, it will monitor for compliance with the requirement that the contra-side order be a solicitation rather than a facilitation through surveillance, as it does today for non-FLEX Solicitation Auctions. The applicable rule for the foregoing requirement will be set forth in proposed IM-7275-2.

49 Both physically settled FLEX Equity Options and those FLEX Equity Options that are permitted to have cash settlement, as provided by Rule 5050(e)(3)(i), will be permitted to trade via the FLEX Solicitation auction.

- FLEX Option Series. The Agency Order and Solicited Order must each be for a permissible FLEX Equity Option series that complies with Rule 5055. For a FLEX Complex Order or FLEX Multi-Leg Order, each leg must be in a permissible FLEX Equity Option series that complies with Rule 5055.[50]
- Marking. The Initiating Participant must mark an Agency Order for FLEX Solicitation Auction processing.
- Size. The Agency Order must be for at least the minimum size designated by the Exchange (which may not be less than 500 contracts). The Solicited Order must be for the same size as the Agency Order. For a FLEX Complex Order or FLEX Multi-Leg Order, each leg may not be for less than 500 contracts. The System handles each of the Agency Order and the Solicited Order as all-or-none.[51]
- Minimum Increment. The price of the Agency Order and Solicited Order must be in increments of one cent ($0.01) for all series. If the Agency Order and Solicited Order are FLEX Complex Orders or FLEX Multi-Leg Orders, the price must be a net price for the strategy.[52]

---

50 See CBOE Rule 5.74(a)(2) for similar provisions, except the Exchange will add a provision to specify that each leg of a FLEX Complex Order or FLEX Multi-Leg Order must be in a permissible FLEX Equity Option series that complies with Rule 5055.

51 See CBOE Rule 5.74(a)(4) for similar provisions except unlike CBOE, the Exchange will not allow the Solicited Order to be comprised of multiple solicited orders in the FLEX Solicitation Auction to be consistent with current non-FLEX Solicitation Auction functionality in Rule 7270. In addition, the Exchange will not incorporate CBOE's provisions relating to mini options or Micro FLEX Index Options into proposed Rule 7275(a)(4) as the Exchange does not list these products today. Further, the Exchange is adding a minor clarification that the minimum size requirement will apply to each leg of a FLEX Complex Order or FLEX Multi-Leg Order.

52 The Exchange notes that unlike CBOE, it will not allow prices to be entered as a percentage value, and therefore will not incorporate the applicable language from CBOE Rule 5.74(a)(5) into proposed Rule 7275(a)(5). Additionally, the Exchange will not specify minimum increments on a per class basis and will instead specify one cent ($0.01) for all series. This is consistent with FOO Orders on the BOX Trading Floor.

- Time. An Initiating FLEX Participant may only submit an Agency Order to a FLEX Solicitation after the opening for trading of the underlying security in the primary market.[53] The System rejects or cancels both an Agency Order and Solicited Order submitted to a FLEX Solicitation Auction that do not meet the conditions in this paragraph (a).

Pursuant to proposed Rule 7275(b), the Solicited Order must stop the entire Agency Order. If the Agency Order and Solicited Order are FLEX Complex or FLEX Multi-Leg Orders, the price must be a net price for the strategy. The Initiating FLEX Participant must specify a single price at which it seeks to execute the Agency Order against the Solicited Order. The System rejects or cancels both an Agency Order and Solicited Order submitted to a FLEX Solicitation Auction that does not meet this condition.[54]

Proposed Rule 7275(c) will govern the FLEX Solicitation process. Specifically, upon receipt of an Agency Order that meets the conditions in paragraphs (a) and (b) as described above, the FLEX Solicitation process commences. Pursuant to proposed subparagraph (c)(1), a FLEX Solicitation will not run simultaneously with another FLEX Solicitation in the same series, nor will FLEX Solicitations interact, queue or overlap in any manner.[55] Any request to initiate a FLEX Solicitation while a FLEX Solicitation is already in progress in the same series will be rejected. This proposal differs from CBOE Rule 5.74(c)(1) which allows concurrent

---

53 See proposed Rule 7275(a)(6), which is based on CBOE Rule 5.74(a)(6).

54 See CBOE Rule 5.74(b) for similar provisions, except the Exchange will not allow prices to be entered as a percentage value, and therefore will not incorporate the applicable language from CBOE's rule into proposed Rule 7275(b).

55 This feature is consistent with current non-FLEX Solicitation Auction functionality. The Exchange notes that it will accept orders designated for the FLEX Solicitation on a single option series where a FLEX Solicitation on a FLEX Complex or FLEX Multi-Leg Order that includes such series may be in progress. BOX will also accept FLEX Complex or FLEX Multi-Leg Orders designated for the FLEX Solicitation Auction where a FLEX Solicitation Auction on either of the component series may be in progress. Order execution at the conclusion of such FLEX Solicitations shall occur as set forth in proposed Rule 7275.

auctions. The Exchange notes this is consistent with current non-FLEX Solicitation Auction functionality.

Pursuant to proposed Rule 7275(c)(2), the System initiates the FLEX Solicitation process by sending a FLEX Solicitation notification message detailing the series or strategy, size, stop price, side of market, and when the FLEX Solicitation Auction will conclude as applicable, by broadcasting a message via the Exchange's data feeds. FLEX Solicitation Auction notification messages are not disseminated to OPRA. These provisions are substantially similar to CBOE Rule 5.74(c)(2).

Proposed Rule 7275(c)(3) will describe the "FLEX Solicitation Auction Period," and is based on CBOE Rule 5.74(c)(3). The FLEX Solicitation Auction Period will be defined as a period of time that must be designated by the Initiating Participant, which may be no less than three seconds and no more than five minutes, similar to the exposure interval for FLEX PIP in proposed Rule 7155 and the FOO Order announcement period in Rule 7605. The Initiating Participant will be required to identify a length of time within the specified parameters for FLEX Solicitation Auctions. If the Initiating Participant does not provide a length of time, the system will utilize the system default, which shall be three seconds. Further, if the designated length of the FLEX Solicitation Auction Period exceeds the market close, then the auction will end at the market close without an execution. The Exchange's non-FLEX auctions do not allow executions in such scenarios, so the Exchange proposes to be consistent with current System functionality in this regard.[56] In doing so, the Exchange's proposal will prevent executions in FLEX Solicitation Auctions from occurring after the market close. Proposed Rule 7275(c)(4) will provide that an

[56] The Exchange's proposal will be consistent with current non-FLEX auction functionality, including current PIP and Solicitation Auction functionality. See BOX Rules 7150 and 7270(b).

Initiating FLEX Participant may cancel an Agency Order or Solicited Order after submission to a FLEX Solicitation Auction. The Initiating FLEX Participant may not modify an Agency Order or Solicited Order after submission to a FLEX Solicitation Auction. This will differ from CBOE Rule 5.74(c)(4), which does not allow cancelation or modification of the Initiating Order or Agency Order. The Exchange will allow Initiating Participants to cancel their Agency Orders and Solicited Orders upon submission into a FLEX Solicitation Auction, which will align with current non-FLEX Solicitation Auction functionality.[57] Proposed Rule 7275(c)(5) will govern the requirements for FLEX Solicitation responses. Specifically:

- Any FLEX Participant (other than the Initiating Participant) may submit responses to a FLEX Solicitation Auction that are properly marked specifying size, side, and price for the FLEX Solicitation Auction to which the FLEX Participant is submitting the response.[58]
- The minimum price increment for FLEX Solicitation Auction responses is one-cent ($0.01) for all series. A response to a FLEX Solicitation Auction of a FLEX Complex or FLEX Multi-Leg Order must have a net price. The System rejects a FLEX Solicitation Auction response that is not in the applicable minimum increment or format.[59]
- A FLEX Participant may submit FLEX Solicitation Auction responses for any price equal to or better than the stop price in paragraph (b) of proposed Rule 7275.[60]

---

57 See proposed Rule 7275(c)(4). See generally BOX Rule 7270(b).

58 See proposed Rule 7275(c)(5), which is based on CBOE Rule 5.74(c)(5).

59 See proposed Rule 7275(c)(5)(A), which is based on CBOE Rule 5.74(c)(5)(A) except the Exchange will not allow prices to be expressed as a percentage value.

60 See proposed Rule 7275(c)(5)(B), which is based on CBOE Rule 5.74(c)(5)(B). The Exchange notes that it will not aggregate FLEX Solicitation responses from the same Participant, which aligns with current non-

Responses submitted by FLEX Participants are processed by Trader ID. If an additional FLEX Solicitation Auction response is submitted for the same FLEX Solicitation Auction from the same Trader ID, then that FLEX Solicitation Auction response will replace the previous FLEX Solicitation Auction response for that Trader ID.[61]

- The System will cap the size of a FLEX Solicitation response at the size of the Agency Order (i.e., the System will ignore size in excess of the size of the Agency Order when processing the FLEX Solicitation auction).[62]
- FLEX Solicitation responses must be on the opposite side of the market as the Agency Order. The System rejects a FLEX Solicitation response on the same side of the market as the Agency Order.[63]
- FLEX Solicitation responses will not be visible to FLEX Solicitation Auction participants or disseminated to OPRA.[64]
- A FLEX Participant may modify, including decrementing the price or size, or cancel its FLEX Solicitation responses during a FLEX Solicitation Auction. Subsequent FLEX Solicitation Auction responses replace the previous response.[65]

FLEX Solicitation Auction functionality and is similar to the electronic FLEX auction functionality offered by another exchange. See BOX Rule 7270(b) and ISE Options 3A, Section 13(c)(5)(B), respectively.

61 This is similar to the electronic FLEX auction functionality offered by another exchange and similar to the current Solicitation Auction functionality on the Exchange. See ISE Options 3A, Section 13(c)(5)(B), and BOX Rule 7270(b), respectively.

62 See proposed Rule 7275(c)(5)(C), which is based on CBOE Rule 5.74(c)(5)(C).

63 See proposed Rule 7275(c)(5)(D), which is based on CBOE Rule 5.74(c)(5)(D).

64 See proposed Rule 7275(c)(5)(E), which is based on CBOE Rule 5.74(c)(5)(E).

65 See proposed Rule 7275(c)(5)(F), which is based on CBOE Rule 5.74(c)(5)(F).

Pursuant to proposed Rule 7275(d), a FLEX Solicitation Auction concludes at the earliest to occur of the following times: (1) the end of the FLEX Solicitation Auction Period; and (2) any time the Exchange halts trading in the affected underlying, provided, however, that in such instance the FLEX Solicitation Auction concludes without execution.[66] Proposed Rule 7275(e) will govern how executions will occur in FLEX Solicitation Auctions. In particular, at the end of the FLEX Solicitation Auction, the System will execute the Agency Order against the Solicited Order or FLEX Solicitation responses at the best price(s) as follows.[67] Proposed subparagraphs (e)(1) – (3) detail the FLEX Solicitation allocation methodology for the following scenarios:

- Execution Against Solicited Order: The System executes the Agency Order against the Solicited Order at the stop price if the aggregate size of FLEX Solicitation responses at an improved price(s) is insufficient to satisfy the Agency Order.[68]
- Execution Against FLEX Solicitation Responses: The System executes the Agency Order against FLEX Solicitation Auction responses if the aggregate size of FLEX Solicitation responses at an improved price(s) is sufficient to satisfy the Agency Order. The Agency Order executes against FLEX Solicitation responses at each price level. At the price at which the balance of the Agency Order can be fully executed, responses are executed in price and time priority.[69]

---

66 See CBOE Rule 5.74(d) for similar provisions, except the Exchange will make a minor clarification that this rule applies when the Exchange halts trading in the affected underlying (and not series, which is what CBOE currently has in its rule).

67 See CBOE Rule 5.74(e) for similar provisions except the Exchange will not allow prices to be expressed as a percentage value.

68 See proposed Rule 7275(e)(1), which is based on CBOE Rule 5.74(e)(1).

69 See proposed Rule 7275(e), which differs from CBOE Rule 5.74 because responses are executed in price time priority rather than Priority Customer and then pro-rata. Additionally, CBOE cancels the Agency Order and Solicited Order with no execution if there is a Priority Customer FLEX SAM response and the aggregate size of that response and other FLEX SAM responses is insufficient to satisfy the Agency Order. BOX is not proposing a similar provision. The Exchange notes that this FLEX Solicitation proposal is based on current non-FLEX Solicitation Auction functionality. See BOX Rule 7270(b). The Exchange

Pursuant to proposed Rule 7275(e)(4), the System cancels any unexecuted FLEX Solicitation responses (or unexecuted portions) at the conclusion of a FLEX Solicitation Auction.[70]

Lastly, the Exchange proposes a number of policies applicable to FLEX Solicitation as Interpretive Materials to Rule 7275. Specifically, proposed IM-7275-1 will provide that prior to entering Agency Orders into a FLEX Solicitation Auction on behalf of customers, Initiating Participants must deliver to the customer a written notification informing the customer that its order may be executed using the FLEX Solicitation Auction. The written notification must disclose the terms and conditions contained in this Rule 7275 and be in a form approved by the Exchange.[71] Proposed IM-7275-2 will provide that under this Rule 7275, Initiating Participants may enter contra-side orders that are solicited. FLEX Solicitation provides a facility for Participants that locate liquidity for their customer orders. Participants may not use the FLEX Solicitation auction to circumvent Rule 7140 (Customer Orders and Order Flow Providers). This may include, but is not limited to, Participants entering contra-side orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the Participant has an arrangement that allows the Participant to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Lastly, proposed IM-7275-3 will provide that an Exchange Official may nullify a transaction following a FLEX Solicitation Auction pursuant to Rule 7170.[72]

---

believes that consistency between FLEX and non-FLEX Solicitation Auction functionality, where applicable, will reduce opportunities for confusion and increase efficiency.

70 See proposed Rule 7275(e)(4), which is based on CBOE Rule 5.74(e)(4).

71 See proposed IM-7275-1, which is based on CBOE Rule 5.74, Interpretations and Policies .01.

72 See proposed IM-7275-3, which is based on CBOE Rule 5.74, Interpretations and Policies .03.

Risk Protections

The Exchange proposes to amend IM-7240-1(a) Debit/Credit Check and (b) Maximum Price risk protections to include FOO Orders, FLEX PIP and FLEX Solicitation Auction.[73] FOO Orders were inadvertently omitted from these rules in a prior rule change. These risk protections are mandatory for FLEX PIP and FLEX Solicitation Auction and voluntary on a per order basis for FOO Orders. The Exchange believes that applying Debit/Credit Check and Maximum Price to FLEX PIP, FLEX Solicitation Auction, Complex and Multi-Leg FOO Orders and applying Maximum Price to FLEX PIP, FLEX Solicitation Auction, and Complex FOO Orders will help Participants manage risk and be beneficial for FLEX trading.

Additionally, the Exchange notes that Rules 7330 (Activity-Based Protections) and 7340 (Global Counter) are applicable to FOO Orders and will be applicable to FLEX PIP and FLEX Solicitation Auctions.[74]

The Exchange notes that it will announce an implementation date for the proposed changes to its Participants by Regulatory Notice.

---

73 The Exchange will reject an eligible Complex Order or Multi-Leg Order that is a Limit Complex Order or a Limit Multi-Leg Order for a credit strategy with a net debit price, or a Limit Complex Order or a Limit Multi-Leg Order for a debit strategy with a net credit price. In addition to the debit/credit check, the system will calculate a maximum price for true butterfly spreads, vertical spreads, and box spreads. The system will reject a Complex Limit Order that is a true butterfly spread, vertical spread, or a box spread if the absolute value of the Complex Order's limit price is greater than the maximum price. The system will reject a Complex Market Order that is a true butterfly spread, vertical spread, or a box spread if the absolute value of the execution price is greater than the maximum price. The maximum price is calculated by adding a price buffer to the absolute value of a true butterfly spread, vertical spread, or box spread.

74 For Activity-Based Protections, when the Traded Order Protection counter (Rule 7330(a)) is triggered because it exceeds the maximum permissible value, all orders for that Participant identification number in options on that class are cancelled unless such cancelation is not permitted under other rules. When the Trade Activity Protection counter (Rule 7330(b)) is triggered because it exceeds the maximum permissible value, all orders and quotes for that Participant identification number in all classes are cancelled unless such cancelation is not permitted under other rules. When the Global Counter (Rule 7340) is triggered because it has reached or exceeded the limit for the Global Counter, the system will cancel all orders and/or quotes belonging to that Participant.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[75] in general, and furthers the objectives of Section 6(b)(5) of the Act[76] in particular, in that it is designed to promote just and equitable principles of trade, 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. Specifically, the Exchange believes that the FLEX PIP and FLEX Solicitation Auctions as described in proposed Rules 7155 and 7275, respectively, will remove impediments to and perfect the mechanism of a free and open market, and protect investors and the public interest. The proposed FLEX PIP and FLEX Solicitation Auctions will offer market participants with electronic auctions for the execution of FLEX Equity Options at potentially improved prices that are substantially similar to CBOE's FLEX AIM and FLEX SAM set forth in CBOE Rules 5.73 and 5.74, respectively, except for certain intended differences to align to the Exchange's current PIP and Solicitation Auction functionality to allow the proposed FLEX PIP and FLEX Solicitation Auctions to fit more seamlessly into BOX's market. For instance, the Exchange will not allow prices to be expressed as percentages in FLEX PIP or FLEX Solicitation Auctions as it does not have this capability today. Furthermore, the Exchange proposes to allow but not consider the quantity of FLEX Solicitation responses in excess of the size of the Agency Order in order to align to current non-FLEX PIP and Solicitation Auction functionality.[77] The Exchange will also align to current non-FLEX PIP functionality by allowing a limited exception to the proposed restriction against modifying a FLEX Primary Improvement Order by allowing Initiating

---

75 15 U.S.C. 78f(b).

76 15 U.S.C. 78f(b)(5).

77 See proposed Rule 7275(c)(5)(B).

Participants to improve their FLEX Primary Improvement Orders.[78] Additionally, the Exchange will also align to current non-FLEX Solicitation Auction functionality by allowing Initiating Participants to cancel their FLEX Solicitation Agency Orders and Solicited Orders.[79]

The Exchange will further align certain aspects of the proposed FLEX PIP and FLEX Solicitation Auction functionality with its current non-FLEX PIP and non-FLEX Solicitation Auction functionality. First, the Exchange will specify a scenario where the Initiating Participant could receive an allocation percentage that is greater than the Initiating Participant's guaranteed allocation (i.e., when there are remaining contracts after including all PIP responses).[80] As noted above, while CBOE does not have this exception noted in CBOE Rule 5.73(e)(1)(B), this will be consistent with current non-FLEX PIP behavior.[81] Second, the Exchange's Surrender Quantity feature allows Participants to request a lower amount than their guaranteed allocation, while CBOE allows election of last priority allocation in CBOE Rule 5.73(e)(4).[82] Third, the proposal will prohibit FLEX PIP and FLEX Solicitation Auctions from occurring concurrently with other FLEX PIP and FLEX Solicitation Auctions, respectively. Although this functionality differs from CBOE FLEX AIM and FLEX SAM behavior in CBOE Rules 5.73(c)(1) and 5.74(c)(1), the Exchange is aligning FLEX PIP and FLEX Solicitation Auction functionality with BOX's current non-FLEX PIP and Solicitation Auction functionality.[83] Fourth, unlike CBOE Rule 5.73(e)(2),[84] the proposal

---

78 See proposed Rules 7155(c)(4) and (5) and proposed Rules 7275(c)(4) and (5).

79 See proposed Rule 7275(c)(4). See generally BOX Rule 7270(b).

80 See proposed Rule 7155(e)(1)(B).

81 See supra note 34.

82 See supra note 42.

83 See BOX IM-7150-2. The Exchange notes that simultaneous Solicitation Auctions are not allowed by the System.

84 CBOE Rule 5.73(e)(2) provides at each price better than final auction price, the System executes the Agency order first against Priority Customer responses and on a pro-rata basis for others.

provides that FLEX PIP responses at prices better than the final auction price will be allocated on a price-time basis.[85] The Exchange believes, although its proposal for response allocations differs from CBOE, the resulting allocations will be similar, regardless of trade allocation methodology. Specifically, the proposal differs only for response allocations at prices better than the final auction price and all responses at prices better than the final auction price will be allocated because if there is not enough FLEX PIP Order quantity to allocate all responses at a given price level then that price level becomes the final auction price. The Exchange notes that FLEX PIP responses at the final auction price are allocated in a substantially similar manner as CBOE.[86] Fifth, the FLEX Solicitation proposal provides that responses will be executed in price-time priority, while CBOE Rule 5.74(e)(2) provides for Priority Customer FLEX SAM responses to be executed first and then others on a pro-rata basis.[87] Sixth, CBOE Rule 5.74(e)(3) provides for cancellation of a FLEX SAM Auction if there is a Priority Customer FLEX SAM response and the aggregate size of that response and other FLEX SAM responses is insufficient to satisfy the Agency Order.[88] The Exchange is not proposing a similar provision. The proposal will allow the Agency Order to execute against the Solicited Order at the stop price if the aggregate size of FLEX Solicitation Auction responses at an improved price(s) is insufficient to satisfy the Agency Order. As noted above, all of the foregoing features are consistent with BOX's current PIP and Solicitation Auction functionality for non-FLEX orders, the Exchange believes that this will promote consistency for Participants across different auctions on BOX. The Exchange believes further that the proposed priority and allocation rules for both FLEX PIP and FLEX Solicitation will ensure a fair and orderly market by

---

85 The Exchange notes that PIP operates in a similar manner. See BOX Rule 7150(g).

86 See proposed Rule 7155(e)(1).

87 The Exchange notes that Solicitation Auctions operate in a similar manner. See BOX Rule 7270(b)(2)(v).

88 See CBOE Rule 5.74(e)(3).

maintaining the priority of orders, while still affording the opportunity for price improvement during each FLEX PIP and FLEX Solicitation Auction commenced on BOX.

Otherwise, the general frameworks of the proposed FLEX PIP and FLEX Solicitation Auctions in proposed Rules 7155 and 7275 (such as the eligibility requirements, stop price requirements, auction process and conclusion, and execution provisions) are consistent with the frameworks for CBOE's FLEX AIM and FLEX SAM in CBOE Rules 5.73 and 5.74. The clarity in how FLEX PIP and FLEX Solicitation will function and their consistency with similar auctions at other exchanges will help promote a fair and orderly national options market system. For example, the proposed range for the length of each of the FLEX PIP and FLEX Solicitation Auction periods is consistent with the range for the auction periods of the CBOE's FLEX AIM and FLEX SAM Auctions in CBOE Rules 5.73(c)(3) and 5.74(c)(3). Like CBOE, the Exchange believes it is appropriate to provide a reasonable and sufficient amount of time in which market participants may submit responses because of the unique terms of FLEX Equity Options. Therefore, the Exchange proposes that the minimum length of a FLEX PIP or FLEX Solicitation Auction be three seconds. The Exchange also proposes a maximum length of an auction period to be five minutes, as the Exchange also believes it is appropriate to provide for efficient and timely executions so that customers do not potentially miss a market. The proposed rule change also requires the Initiating Participant to establish the length of the auction period (which will be included in the auction notification message), as the Participant is in the best position to determine a reasonable period of time to provide other Participants to respond based on the complexity of the FLEX Equity Option series that is the subject of the auction, as well as based on market conditions (for example, in a volatile market, the Participant may believe it is in the best interests of a customer to have a shorter auction period given quickly changing prices).

The Exchange believes that the defined terms added in Rule 7240 (Complex Orders) will provide increased clarity to Participants by specifying definitions for "FLEX Complex Order" and "FLEX Multi-Leg Order."

Risk Protections

The Exchange believes that specifying the risk protections in IM-7240-1 apply to FLEX trading will benefit investors with additional transparency regarding the Exchange's Debit/Credit Check and Maximum Price risk protections. The Exchange also believes that applying the foregoing risk protections to FLEX PIP and FLEX Solicitation will protect investors and the public interest, and maintain fair and orderly markets, by providing market participants with more tools to manage their risk. In addition, providing Participants with more tools for managing risk facilitates transactions in FLEX PIP and FLEX Solicitation because Participants will have more confidence that risk protections are in place. As a result, the foregoing risk protections have the potential to promote just and equitable principles of trade. The Exchange is also proposing to add references to Multi-Leg and Complex FOO Orders to the risk protections in IM-7240-1, as these references were inadvertently omitted when the Exchange initially adopted FOO Orders. The Exchange believes that adding this language will provide clarity with respect to the risk protections in IM-7240-1 and Multi-Leg and Complex FOO Orders on the Exchange.

The Exchange has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle the additional message traffic associated with the addition of FLEX PIP and FLEX Solicitation.[89]

[89] The Exchange will report FLEX PIP and FLEX Solicitation trades and, if necessary, trade cancellations to OPRA.

Additionally, the Exchange believes it has an adequate surveillance program in place and intends to apply the same program procedures to FLEX PIP and FLEX Solicitation that is applied to the Exchange's other options trading, as applicable. FLEX PIP and FLEX Solicitation will be integrated into the Exchange's existing surveillance system architecture and will be subject to the relevant surveillance processes. The Exchange believes that any potential risk of manipulative activity is mitigated by these existing surveillance technologies, procedures, and reporting requirements, which allow the Exchange to properly identify disruptive and/or manipulative trading activity. Additionally, taking into consideration that FLEX PIP and FLEX Solicitation have unique characteristics, the Exchange has updated its procedures to include these unique characteristics, as applicable. The Exchange will periodically review its surveillance procedures and make any changes that the Exchange believes are necessary for FLEX PIP and FLEX Solicitation.

As a self-regulatory organization, the Exchange recognizes the importance of surveillance, among other things, to detect and deter fraudulent and manipulative trading activity as well as other violations of Exchange Rules and the federal securities laws. As discussed above, the Exchange has adequate surveillance procedures in place to monitor FLEX PIP and FLEX Solicitation.[90] The Exchange further notes that under Section 19(g) of the Act, the Exchange, as a self-regulatory organization, is required to enforce compliance by its members and persons associated with its members with the Act, the rules and regulations thereunder, and the rules of the Exchange.[91] The Exchange believes its surveillance is reasonably designed to mitigate manipulation and market disruption concerns and will permit it to enforce compliance with the proposed rules and other

---

90 Among other things, the Exchange's regulatory program includes cross-market surveillance designed to identify manipulative and other improper trading, including spoofing, algorithm gaming, marking the close and open, as well as more general abusive behavior related to front running, wash sales, and quoting/routing, which may occur on the Exchange and other markets.

91 15 U.S.C. 78s(g).

Exchange rules in accordance with Section 19(g) of the Act. The Exchange performs ongoing evaluations of its surveillance program to ensure its continued effectiveness and will continue to review its surveillance procedures on an ongoing basis and make any necessary enhancements and/or modifications that may be needed for FLEX PIP and FLEX Solicitation Auctions.

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 does not believe that the proposed rule change will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, as all Participants who wish to utilize FLEX PIP and FLEX Solicitation will be able to trade in the same manner. The Exchange also does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As discussed above, other options exchanges currently offer electronic FLEX auctions on their respective markets.[92] The Exchange believes that its proposal will allow BOX to compete with these other exchanges and provide an additional execution venue for these transactions for market participants. Thus, the Exchange believes that its proposal will promote intermarket competition by increasing the number of exchanges where electronic FLEX auctions will be available.

The Exchange further 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.

[92] See supra notes 5 and 6.

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 foregoing 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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[93] and subparagraph (f)(6) of Rule 19b-4 thereunder.[94]

A proposed rule change filed under Rule 19b-4(f)(6)[95] normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),[96] the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. Other exchanges have electronic FLEX auction rules, and providing another venue for electronic FLEX auctions would help foster competition as well as the protection of investors and the public interest. The proposed rule change also raises no new or novel legal or regulatory issues. For these reasons, the Commission finds that waiver of the operative delay is consistent

93 15 U.S.C. 78s(b)(3)(A).

94 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and 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. The Exchange has satisfied this requirement.

95 17 CFR 240.19b-4(f)(6).

96 17 CFR 240.19b-4(f)(6)(iii).

with the protection of investors and the public interest. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change to be operative upon filing.[97]

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-2026-21 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-2026-21. This file number should be included on the subject line if email is used. To help the Commission process and review

[97] For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 filing 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-2026-21 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.[98]

Sherry R. Haywood,

Assistant Secretary.

[98] 17 CFR 200.30-3(a)(12) and (59).