

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67546; File No. SR-BOX-2012-010)

July 31, 2012

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Fee Schedule for Trading on BOX

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 27, 2012, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,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 Substance of the Proposed Rule Change

BOX Options Exchange LLC (the “Exchange”) proposes to amend its Fee Schedule for trading on its options facility, BOX Market LLC (“BOX”). While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on August 1, 2012. The text of the proposed rule change is available from the principal office of the Exchange, on the Exchange’s Internet website at <http://boxexchange.com>, and at the Commission’s Public Reference Room.

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 implement a change to the BOX routing fees in Section III of the fee schedule. BOX believes the proposed structure will continue to provide an incentive to BOX Options Participants (“Participants”) to submit their customer orders for execution on BOX, will aid BOX in recovering some of its costs incurred in providing routing services to Participants, and will discourage potentially abusive and predatory order routing practices to evade fees on other exchanges.⁵ BOX will continue to provide routing to away exchanges at no charge to Participants that execute more than 55% of their non-Professional, Public Customer transactions⁶ on BOX, rather than those orders being executed at other exchanges after BOX routes them to an away exchange.

⁵ Note that BOX does not route broker-dealer proprietary orders and thus does not assess them any routing fees. Based on BOX market data, BOX believes certain Participants are intentionally submitting orders to BOX when limited liquidity is on BOX at the national best bid or offer (“NBBO”). This limited liquidity is not enough to fill the orders submitted, and thus, BOX is required, in accordance with its obligations to customer orders under the national market system plan for Options Order Protection, to route such orders to a market that is displaying liquidity at the NBBO.

⁶ For the purposes of the discussion in this proposed rule change, these non-Professional, Public Customer Orders will be referred to as Public Customer Orders.

BOX uses third-party broker-dealers to route orders to other exchanges and incurs charges for each order routed to and executed at an away market, in addition to the transaction fees charged by other exchanges. BOX has been providing its routing services to Participants for a limited amount of their Public Customer Orders at no cost and has generally been able to cover such costs with revenue generated from transactions on BOX. In order to better recover BOX's increasing costs for routing such orders, the Exchange is proposing a modified routing fee structure so that BOX can continue to provide routing services to Participants at no charge if the Participants trade on BOX a greater percentage of their Public Customer volume traded through BOX each month, as opposed to BOX routing those orders away for execution.

Currently, if 60% or more of a Participants' Public Customer Orders executed through BOX each month are routed to and executed at an away exchange, BOX assesses a \$0.50 per contract routing fee to all of that Participants' Public Customer orders routed to an away exchange for execution for the month. If BOX does not have sufficient liquidity at the NBBO to execute Public Customer Orders on BOX, such orders are routed to an away exchange for execution. BOX, however, believes that permitting Participants to continue routing a substantial percentage of outbound Public Customer Orders without any fees is resulting in some Participants intentionally sending orders to BOX when BOX is not at the NBBO, so that the orders will be routed to an away exchange; and BOX believes this activity pattern is designed to evade transaction fees on other exchanges. In part to curtail this activity that BOX believes is designed to take advantage of the BOX routing fee structure, the Exchange proposes this modified routing fee structure that provides an incentive to Participants whom execute a greater percentage of their Public Customer transactions on BOX. The proposed change will have no

effect on the billing of orders of non-Participants, including any orders routed to BOX from away exchanges.

The Exchange proposes that BOX will continue to route Public Customer Orders to an away exchange without imposing any fee, to the extent that more than 55% of the Participants' Public Customer Orders sent to BOX each month execute on BOX. Executions on BOX would include orders executing on the BOX Book, or through any other BOX mechanism that may be available to execute Public Customer Orders (e.g., Price Improvement Period, Solicitation or Facilitation Auction Mechanisms). If 45% or more of a Participants' Public Customer Orders executed through BOX each month are routed to and executed at an away exchange, BOX will assess a \$0.50 per contract routing fee to all of a Participants' Public Customer orders routed to an away exchange for execution for the month. BOX will calculate the percentage of contracts executed on BOX compared to the percentage routed and executed away at the end of each month.

Instructing BOX to route orders away if they are not able to be executed on BOX is voluntary for BOX Participants. Participants may choose not to route their Public Customer Orders to another exchange. Participants may also avoid paying the proposed routing fee by choosing to designate their orders as Fill and Kill ("FAK"). FAK orders are not eligible for routing to away exchanges. FAK orders are executed on BOX, if possible, and then cancelled. Imposing a routing fee structure that provides a benefit to Participants for trading on BOX will allow BOX to recoup a portion of the costs incurred for providing routing services, while also providing an incentive to Participants to trade on BOX and benefit from BOX routing services for a limited amount of their Public Customer Orders at no charge.

In contemplation of this proposed fee change, BOX considered the costs incurred for providing routing services and the benefit provided to Participants for whom orders are routed, as well as the revenue the Exchange receives from transactions executed on BOX. The Exchange believes the proposed change to BOX routing fees is fair, equitable, and not unfairly discriminatory as BOX attempts to balance its costs incurred for routing and the benefit for Participants that use the service. Additionally, the Exchange has considered the Exchange costs and the benefits to the BOX market and Participants' given their ability to have their orders routed to an away exchange. Finally, the Exchange proposes this fee change in part to attempt to balance the costs and benefits considering the volumes of Public Customer transactions routed to away exchanges and the volume of transactions executed on BOX. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on August 1, 2012.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁷ in general, and Section 6(b)(4) of the Act,⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Options Participants and other persons using its facilities. The Exchange believes the changes proposed are an equitable allocation of reasonable fees and charges among BOX Options Participants.

BOX believes that the proposed routing fee structure for routing non-Professional, Public Customer Orders to other market venues is reasonable because the fee will allow BOX to recoup its transaction costs attendant with offering routing services. BOX uses third-party broker-dealers to route orders to other exchanges and incurs charges for each order routed to and

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

executed at an away market, in addition to the transaction fees charged by other exchanges. BOX has been providing its routing services to Participants for a limited amount of their Public Customer Orders at no cost and has been able to cover such costs with revenue generated from transactions on BOX. In order to better recover BOX's increasing costs for routing such orders, the Exchange is proposing a modified routing fee structure. The Exchange believes this routing fee structure will allow BOX to continue to provide routing services to Participants at no charge if the Participants trade a greater percentage of their Public Customer volume traded through BOX each month on BOX, as opposed to BOX routing those orders away for execution.

Additionally, BOX believes that assessing its routing fees to Participants based on the percentage of Public Customer Orders traded on BOX is an equitable allocation of a reasonable fee. Based on BOX market data, BOX believes some Participants are intentionally submitting orders to BOX when limited liquidity is on BOX at the NBBO. This limited liquidity is not enough to fill the orders submitted, and thus, BOX is required, in accordance with its obligations to customer orders under the national market system plan for Options Order Protection, route such orders to a market that is displaying liquidity at the NBBO. BOX data indicates that BOX generally routes less than 45% of a Participant's Public Customer Orders to BOX to an away exchange for execution. Additionally, BOX believes that permitting a Participant to have up to 45% of such orders routed to an away exchange for execution without being assessed any routing fee is reasonable and appropriate.

The Exchange believes the proposed routing fee structure is equitable and not unfairly discriminatory because the incentive to trade on BOX is available to all Participants on an equal basis. The Exchange believes it is reasonable and equitable to provide Participants (A) an incentive to trade on BOX, and (B) the ability to route a limited amount of customer orders at no

cost, because transactions executed on BOX increase BOX market activity and market quality. Greater liquidity and additional volume executed on BOX aids the price and volume discovery process. Participant trading on BOX also results in revenue that BOX is able to use to provide routing services for a limited amount of customer orders at no cost to Participants. Accordingly, the Exchange believes that the proposal is not unfairly discriminatory because it promotes enhancing BOX market quality. The changes proposed by this filing are intended to provide an incentive to BOX Participants to submit orders for execution on BOX, to aid BOX in recovering its increasing routing costs, and to discourage Participants from engaging in abusive and predatory practices to evade fees on other exchanges.

Further, BOX operates within a highly competitive market. BOX, however, does not assess ongoing fees for access to BOX market data, or fees related to order cancellation. As stated, BOX incurs costs, including transaction fees at other exchanges, every time it routes a customer order to an away exchange for execution. Providing routing services draws on BOX system resources and routing more and more orders results in greater ongoing operational costs to BOX. As such, BOX aims to recover its increasing costs by assessing Participants fees for routing Public Customer Orders to away exchanges, if those Participants are submitting such orders to BOX so as to evade other exchanges' fees and take advantage of BOX routing services. BOX therefore believes that assessing the fee only to those Participants that have 45% or more of their Public Customer Orders routed to an away exchange for execution is reasonable, and an equitable allocation of its fees for providing routing services.

Finally, the Exchange notes that although routing is available to BOX Participants for customer orders, Participants are not required to use the routing services, but instead, BOX routing services are entirely voluntary. As discussed above, BOX Participants can manage their

own routing to different options exchanges or can utilize a myriad of other routing solutions that are available to market participants.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act⁹ and Rule 19b-4(f)(2) thereunder,¹⁰ because it establishes or changes a due, fee, or other charge applicable only to a member.

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 Exchange Act.

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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2012-010 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2012-010. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2012-010 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).