

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69711; File No. SR-BOX-2013-29)

June 6, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BOX Rule 8050 to Lower the Minimum Quoting Requirement for Market Makers Quoting in Jumbo SPY Options

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 May 31, 2013, BOX Options Exchange LLC (“BOX” or “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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Rule 8050 to lower the minimum quoting requirement for Market Makers quoting in Jumbo SPY Options. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxexchange.com>.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

On May 10, 2013 the Exchange began listing and trading option contracts overlying 1,000 SPDR® S&P 500® exchange-traded fund shares (“SPY”),³ or (“Jumbo SPY Options”).⁴ Whereas standard options contracts represent a deliverable of 100 shares of an underlying security, this product represents 1,000 SPY shares. Except for the difference in the number of deliverable shares, Jumbo SPY Options have the same terms and contract characteristics as regular-sized options contracts (“standard options”), including exercise style. Accordingly, the Commission noted in the approval order that the Exchange’s rules that apply to the trading of standard options would apply to Jumbo SPY Options as well.⁵ The Exchange proposes to amend BOX Rule 8050 to lower the minimum quoting requirement for Market Makers quoting in Jumbo SPY Options.

Currently, the Exchange requires that a Market Maker’s bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the Market Maker is willing to buy from or sell to Customers. Every Market Maker bid or offer must

³ “SPDR®,” “Standard & Poor’s®,” “S&P®,” “S&P 500®,” and “Standard & Poor’s 500” are registered trademarks of Standard & Poor’s Financial Services LLC. The SPY ETF represents ownership in the SPDR S&P 500 Trust, a unit investment trust that generally corresponds to the price and yield performance of the SPDR S&P 500 Index.

⁴ See Securities Exchange Act Release No. 34-69511 (May 3, 2013), 78 FR 27271 (May 9, 2013) (Order Approving SR-BOX-2013-06).

⁵ Id.

have an initial size of at least ten (10) contracts.⁶ The Exchange proposes to lower the Market Maker bid or offer initial size requirement for Jumbo SPY options to 1/10th of the current requirement. Specifically, the Exchange proposes to make the required minimum number of contracts for a Market Maker's bid or offer in Jumbo SPY Options one (1) contract.

The Exchange believes it is appropriate to adjust the Market Maker quoting requirement for Jumbo SPY Options so it is scaled based upon the total number of shares of the underlying security instead of the total number of options contracts. Under the proposed rule change a Market Maker would be required to quote at least ten (10) contracts for standard options that represent a total of 1,000 shares of the underlying security. For Jumbo SPY Options the Market Maker would only be required to quote at least one (1) contract, but this would still represent a total of 1,000 shares of the underlying security. The Exchange believes that modifying the quotation requirement for Jumbo SPY Options will encourage Market Maker quoting in this new product and lead to increased liquidity.

The Exchange notes that a minimum quoting requirement of one (1) contract is not novel and certain exchanges have a minimum quoting requirement of one (1) contract for all classes.⁷ Further, the Exchange believes that having different quotation requirements for Jumbo SPY Options than those required for standard options on SPY would not lead to investor confusion and will instead increase liquidity in this new product, therefore enabling market participants to trade Jumbo SPY Options with greater precision.

⁶ BOX Rule 8050(b).

⁷ See NASDAQ OMX BX Rule Chapter VII, Sec. 6 (Market Maker Quotations).

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),⁸ in general, and Section 6(b)(5) of the Act,⁹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The proposed rule change will assure that standard options and Jumbo SPY Options will have an equivalent Market Maker quoting requirement in terms of shares on the underlying security. The Exchange believes that investors and other market participants will benefit from this proposed rule change because it establishes a lower quoting requirement for Jumbo SPY Options, which will increase the overall liquidity in this new product.

Finally, the Exchange believes that the proposed rule change is not designed to permit unfair discrimination among market participants as all Market Makers may quote Jumbo SPY Options once they are appointed to this options class.

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. Specifically, the Exchange believes that investors will benefit from the increased liquidity of Jumbo SPY Options. Quoting in Jumbo SPY Options is entirely voluntary and Market Makers can determine if they would like to trade in this new product. The Exchange believes this proposed rule change is

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

necessary to establish equivalent Market Maker quoting requirements for Jumbo SPY Options, a new options product.

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: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposed rule change may become immediately operative. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with 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 fulfilled this requirement.

interest.¹² The Exchange began trading Jumbo SPY Options on May 10, 2013, and waiver of the operative delay will allow the Exchange to implement its proposal without delay. For these reasons, the Commission designates the proposed rule change as operative upon filing.

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.

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-2013-29 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-2013-29. 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

¹² For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2013-29 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.¹³

Kevin M. O'Neill
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).