

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73753; File No. SR-BOX-2014-26)

December 5, 2014

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adjust the Fees and Credits for Complex Orders Executed Against Orders on the BOX Book

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 4, 2014, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule to adjust the fees and credits for Complex Orders Executed Against Orders on the BOX Book on the BOX Market LLC (“BOX”) options facility. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxexchange.com>.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the Fee Schedule for trading on BOX to adjust the fees and credits outlined in Section III.A. (Complex Orders Executed Against Orders on the BOX Book).

Specifically, for Complex Orders executing against orders on the BOX Book the Exchange proposes to assess different fees and credits for Complex Orders in Penny Pilot Classes than Complex Orders in Non-Penny Pilot Classes. Currently all Complex Order transactions that execute against orders on the BOX Book are assessed a \$0.35 per contract per leg credit when executed by Public Customers, a \$0.45 per contract per leg fee when executed by Professional Customers and Broker Dealers, and a \$0.40 per contract per leg fee when executed by Market Makers.

The proposed fees and credits for Complex Orders executing against orders on the BOX Book are as follows:

Account Type	Penny Pilot Classes	Non-Penny Pilot Classes
Public Customer	(\$0.35)	(\$0.70)
Professional Customer and Broker Dealer	\$0.40	\$0.80

Market Maker	\$0.40	\$0.80
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For example, if a Professional Customer's Penny Pilot Complex Order A+B executes against orders on the BOX Book, the Professional Customer will be charged \$0.80 (\$0.40 for A, plus \$0.40 for B). If instead the Professional Customer's Complex Order is in a Non-Penny Pilot class, the Professional Customer will be charged \$1.60 (\$0.80 for A, plus \$0.80 for B). A Public Customer executing a Penny Pilot Complex Order A+B will receive a credit of \$0.70 (\$0.35 for A, plus \$0.35 for B).

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,⁵ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed fees and credits are reasonable, equitable and non-discriminatory. In particular, the proposed fees and credits will allow the Exchange to apply separate fees and credits for transactions in penny pilot issues and those in non-penny pilot issues, a distinction that is made in many other sections of the BOX Fee Schedule, including Section III.B of the Fee Schedule (Complex Orders Executed Against Other Complex Orders). The Exchange notes that submitting Complex Orders to BOX is entirely voluntary and that several other competing exchanges possess similar Complex Order functionalities. Participants can therefore choose what type of order to submit to BOX, or direct their Complex Order flow to

⁵ 15 U.S.C. 78f(b)(4) and (5).

any other exchange if they determine the proposed Complex Order fee structure to be unreasonable.

The Exchange believes it is equitable, reasonable and not unfairly discriminatory to assess fees and credits according to whether the Complex Order executes against orders on the BOX Book or against another Complex Order and according to the account types of the Participant submitting the Complex Order. This fee structure was adopted by the Exchange over a year ago⁶ and has been accepted by both the Commission and the industry. The result of this structure is that a Participant does not know the fee it will be charged when submitting a Complex Order. Therefore, the Participant must recognize that it could be charged the highest applicable fee on the Exchange's schedule, which may, instead, be lowered or changed to a credit depending upon how its Complex Order interacts.

The Exchange believes it is reasonable and equitable to provide credits for Public Customer Complex Orders and to charge fees to Professional Customers, Broker Dealers and Market Makers when their Complex Orders execute on the BOX Book. Specifically the Exchange believes that the proposed \$0.35 credit for Public Customers and \$0.40 fee for Professional Customers, Broker Dealers and Market Makers in Penny Pilot Classes, and the proposed \$0.70 credit for Public Customers and \$0.80 fee for Professional Customers, Broker Dealers and Market Makers in Non-Penny Pilot Classes are reasonable and strike an appropriate balance between the fees charged for standard orders and the Complex Order Fees and Credits applied when a Complex Order executes against another Complex Orders [sic]. The proposed credits for Public Customer Complex Orders that execute on the BOX Book are equal to the

⁶ See Securities Exchange Act Release No. 71312 (January 15, 2014), 79 FR 3649 (January 22, 2014)(Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule To Establish Fees for Complex Order Price Improvement Period ("COPIP") Transactions).

credits already in place for Public Customers' [sic] that execute against non-Public Customers in Section III.B. (Complex Orders Executed Against Other Complex Orders). Further, the proposed fees for Professional Customers, Broker Dealers and Market Makers in both Penny Pilot Classes and Non-Penny Pilot Classes are in line with the fees assessed for when these Participants' Complex Orders execute against other Complex Orders. The Exchange believes the proposed fees and credits will continue to encourage Participants to execute Complex Orders by ensuring that they receive similar incentives and fees regardless of where their Complex Order executes. The Exchange believes this will help attract Complex Order flow to the Exchange and create increased liquidity, which will ultimately benefit all Participants trading on BOX. The proposed fees and credits are also competitive with the fees and credits offered for similar transactions on at least one other exchange.⁷

For Complex Orders that execute on the BOX Book, the Exchange believes it is reasonable to charge Professional Customers, Broker Dealers, and Market Makers less for executions in penny pilot issues than non-penny issues because these classes are typically the more actively traded and assessing lower fees will further incentivize Complex Order transaction [sic] in penny pilot issues on the Exchange, ultimately benefiting all Participants trading on BOX. The Complex Order fees are competitive with the fees and credits offered for similar transactions on at least one other exchange.⁸ Additionally, the Exchange believes it is reasonable to give a greater credit to Public Customers in Complex Order transactions involving non-penny

⁷ For Complex Orders that interact with the regular order book, NYSE Arca, Inc. charges Public Customers \$0.47 or \$0.85 (depending on issue), Broker Dealers \$0.49 or \$0.89 (depending on issue), and Market Makers \$0.49 or \$0.87 (depending on issue).

⁸ The International Securities Exchange, LLC ("ISE") assesses Professional Customers and Broker Dealers \$0.44 for Complex Order transactions in Penny Names and \$.87 for Complex Order transactions in non-Penny Names. Market Makers are assessed \$0.43 for Complex Order transactions in Penny Names and \$0.85 for Complex Order transactions in non-Penny Names.

pilot issues than penny pilot issues. These classes have wider spreads and are less actively traded; and giving a larger credit will further incentivize Public Customers to trade in these classes. The proposed Public Customer credits are competitive with the credits offered for similar transactions on at least one other exchange.⁹

The Exchange believes that the proposed fees and credits are reasonable because a Public Customer submitting Complex Orders on BOX will recognize that it will never pay a fee for these transactions. Depending on where and with whom the Complex Order executes, the Public Customer may receive an additional benefit for submitting the order. Likewise, a Professional Customer or Broker Dealer submitting Complex Orders will recognize that it will not be charged more than \$0.45 in penny pilot issues and \$0.80 in non-penny pilot issues. (When the Professional Customer or Broker Dealer's Complex Order executes against a Public Customer's Complex Order). The same is true for Market Makers, who will recognize that their maximum charge when submitting a Complex Order will be \$0.40 in penny pilot issues and \$0.80 in non-penny pilot issues.

The Exchange believes providing a credit to Public Customers for Complex Orders that execute against orders on the BOX Book is equitable and non-discriminatory. The securities markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for customer benefit. Accordingly, the Exchange believes that providing a credit for Public Customer Complex Order transactions is appropriate and not unfairly discriminatory. Public Customers are less sophisticated than other Participants and the credit will help to attract a higher level of Public

⁹ At the lowest volume tier level, the ISE gives Public Customers a \$0.30 credit for Complex Order transactions in Penny Names, and a \$0.63 credit for Complex Order transactions in non-Penny Names.

Customer order flow to the Complex Order Book and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

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 believes that the proposed fees and credits will neither impose burdens on competition among various Exchange Participants nor impose any burden on competition among exchanges in the listed options marketplace, not necessary or appropriate in furtherance of the purposes of the Act. BOX currently assesses distinct fees and credits for transactions in Penny Pilot and Non-Penny Pilot issues and the proposed change is simply adopting this type of structure for Complex Order that execute on the BOX Book.

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 Act¹⁰ and Rule 19b-4(f)(2) thereunder,¹¹ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 CFR 240.19b-4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2014-26 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BOX-2014-26. 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 such 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-2014-26, 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.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).