

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-74952; File No. SR-BOX-2015-19)

May 13, 2015

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adjust the Preferred Market Maker Quoting Obligations

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 5, 2015, BOX Options 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 change from interested persons.

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

The Exchange proposes to amend BOX Rule 7300 (Preferred Orders) to adjust the Preferred Market Maker quoting obligations. 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

The Exchange proposes to amend BOX Rule 7300 (Preferred Orders) to revise the quoting obligations for Preferred Market Makers. Specifically, the Exchange proposes to (i) decrease the percentage of time a Preferred Market Maker is required to continuously quote from 99% to 90%; (ii) decrease the percentage of series the Preferred Market Maker is required to continuously quote; and (iii) modify the series the continuous quoting obligations apply to for Preferred Market Makers. Each of these changes, which are described in detail below, will make BOX's Preferred Market Maker obligations more consistent with the comparable market maker obligations at other options exchanges.<sup>3</sup>

BOX Rule 7300 currently provides that during trading hours, a Preferred Market Maker<sup>4</sup> must maintain a continuous two-sided market, pursuant to Rule 8050(c)(1), throughout the trading day, in option classes for which it accepts Preferred Orders, for 99% of the time the Exchange is open for trading in each such option class; provided, however, that for purposes of this requirement, a Preferred Market Maker is not required to quote in intra-day add-on series or series that have a time to expiration of nine months or more in the classes for which it receives Preferred Orders and a Market Maker may still be a Preferred Market Maker in any such series if the Market Maker otherwise complies with Rule 7300(a)(2).

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<sup>3</sup> See MIAX Rule 514 and 604(e)(2); CBOE Rule 1.1(ccc); Phlx Rule 1014(b)(ii)(D)(1); and ISE Rule 804(e)(2)(iii).

<sup>4</sup> The term "Preferred Market Maker" means a Market Maker designated as such by a Participant with respect to an order submitted by such Participant to BOX. See BOX Rule 7300.

The rule also provides that if a technical failure or limitation of a system of the Exchange prevents a Preferred Market Maker from maintaining, or prevents a Preferred Market Maker from communicating to the Exchange, timely and accurate electronic quotes in an option class, the duration of such failure will be disregarded in determining whether the Preferred Market Maker has satisfied this requirement. The Exchange may also consider other exceptions to this obligation based on a demonstrated legal or regulatory requirement or other mitigating circumstances.

The Exchange first proposes to reduce the percentage of time which a Preferred Market Maker is required to provide continuous quotes in an appointed options class to 90% of the time. The Exchange then proposes to amend the continuous quoting obligation for Preferred Market Makers from 100% to 99% of the options series of each class for which it accepts Preferred Orders. Finally, the Exchange proposes to add the language “non-adjusted options series” to indicate that Preferred Market Maker will not be obligated to maintain continuous quotes in adjusted options series and to define the term adjusted options series. Compliance with the Preferred Market Maker’s continuous quoting requirement will still be determined on a monthly basis; and this does not relieve a Preferred Market Maker from meeting this quoting requirement on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Preferred Market Maker for failing to meet this requirement each trading day.

The Exchange does not believe that the proposed rule change will adversely affect the quality of the Exchange’s market or lead to a material decrease in liquidity. Rather, the Exchange believes that lowering the continuous quoting requirements may increase liquidity by attracting more Preferred Market Makers to the Exchange. Preferred Market Makers will still have to meet heightened quoting requirements when compared to the quoting requirements of

Market Makers on the Exchange.<sup>5</sup> Additionally, the Exchange Rules will continue to impose a number of other obligations on Preferred Market Makers to ensure that they create and maintain a fair and orderly market in the option classes to which they are assigned.<sup>6</sup>

The Exchange believes this proposal will make the quoting requirements of Preferred Market Makers more comparable to those at other options exchanges and is therefore essential for competitive purposes.<sup>7</sup>

## 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”), in general, and Section 6(b)(5) of the Act, 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. In particular, the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system because it is similar with the continuous quoting standards in place on other options exchanges. The Exchange believes the proposed rule change will not diminish, and in fact may increase market making activity and liquidity on the Exchange by establishing a quoting compliance standard that is reasonable and is similar to those already in place on other options exchanges.

Specifically, the Exchange believes that the proposed quoting requirements will encourage

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<sup>5</sup> Under BOX Rule 8050(e) on a daily basis a Market Maker must post valid quotes at least sixty percent (60%) of the time that the classes are open for trading.

<sup>6</sup> For example, in order to receive the allocation preference the Preferred Market Maker must also be quoting at the NBBO at the time the Preferred Order was received.

<sup>7</sup> See supra, note 3.

greater participation by Market Makers to provide quotes on the Exchange as Preferred Market Makers. These additional responses should encourage greater competition on the Exchange, which should, in turn, benefit and protect investors and the public interest through the potential for greater volume of orders and executions.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change applies to all Preferred Market Makers. Additionally, the proposed rule change is substantially similar to the rules in place at other options exchanges,<sup>8</sup> which the exchange believes may enhance, rather than burden, competition among the options exchanges.

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 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 from the date on which it was filed, 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 Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

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<sup>8</sup> See *supra*, note 3.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business

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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2015-19 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BOX-2015-19. 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

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days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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, D.C. 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-2015-19, 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.<sup>11</sup>

Robert W. Errett  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).