SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78312; File No. SR-BOX-2016-30)

July 13, 2016

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and
Immediate Effectiveness of a Proposed Rule Change to Introduce New Risk Protections
on the Exchange and Provide Enhancements to Current Risk Protections

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 July 1, 2016, 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 from interested persons.

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

       The Exchange proposes to introduce new risk protections on the Exchange and

provide enhancements to current risk protections. 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 specified in Item IV below. The self-regulatory organization has

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

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 purpose of the proposed rule change is to introduce new risk protections on the Exchange and provide enhancements to current risk protections designed to aid Participants in their risk management by supplementing current protections with new activity-based protections. In particular, the Exchange proposes to introduce new activity-based protections for orders and quotes, enhancements to the current protections available for Market Makers on the Exchange and provide maximum order and quote quantity.

Maximum Order and Quote Quantity

The Exchange proposes to adopt Rule 7320 (Maximum Order and Quote Quantity) to provide an additional risk protection for orders and quotes entered on BOX. Specifically, the system will prevent orders or quotes from executing or being placed on the BOX Book if the size of the order or quote exceeds the size protection designated by the Participant submitting the order or quote. The size protection is the maximum size of an order or quote that will be accepted by the system and Participants may designate the size protection on a class-by-class basis for non-auction transactions. For auction transactions, the Participant may designate a size protection applicable to all auction types only. For Complex Orders, if any leg fails the validation, then the entire Complex Order is rejected.

In order to provide values for the size protection, Participants must contact the

MOC.[3] Additionally, the Exchange will provide default values for the size protection.

The most restrictive (i.e., the smallest value) between the Exchange default and

Participant-provided value will be used. The Exchange notes that this is not a novel

proposal and another exchange already has this feature.[4]

Activity-Based Protections

The Exchange proposes to adopt Rule 7330 (Activity-Based Protections) to

provide new risk protections. Specifically, the Exchange is proposing two new risk

protections; one will cover executed orders and the other will cover executed orders

and quotes.

The Exchange proposes to adopt Rule 7330(a) (Traded Order Protection) to

provide new risk protections for orders executed by Participants on the Exchange. The

risk protections the Exchange is proposing are similar to those already available on

BOX for quotes.[5] The proposed risk protection will maintain a counting program for

each participating Participant. Specifically, the Exchange shall maintain traded order

counters for: (1) maximum number of trades from orders,[6] (2) maximum traded order

volume,[7] (3) maximum traded order value,[8] (4) delta maximum order volume,[9] and (5)

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[3]   The term "Market Operations Center" or "MOC" means the BOX Market Operations Center, which provides market support for Options Participants during the trading day. See Rule 100(a)(31).

[4]   See Miami International Securities Exchange, LLC ("MIAX") Rule 519(b).

[5]   See Rule 8130.

[6]   The maximum number of trades from orders counter will keep track of total trades in a class.

[7]   The maximum traded order volume counter is designed to count the total volume traded in a class.

[8]   The maximum traded order value counter is the absolute dollar value of contracts

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delta maximum order value.[10] Participants can provide values for these five counters and for the Time Interval, as described in further detail below.

When a Participant's order is executed, the system will look back over a specific period of time to determine whether the execution will cause the counters to be incremented. Specifically, if the difference between the time of the current trade and the time of the previous trade from the same Options Participant identification number ("Participant ID") in the same class is greater than the Time Interval,[11] then the counters will be reset before adding the current trade to them. If, however, the difference between the time of the current trade and the time of the previous trade from the same Participant ID in the same class is less than or equal to the Time Interval, then the counters will be incremented for the current trade without resetting them first. For example, assume the Time Interval is 2 seconds. If an order for 10 contracts in ABC is received at 10:31:02 and a second order for 50 contracts in ABC is received at 10:31:03, then the maximum number of trades counter would be incremented by 1 for the second trade and the maximum traded volume counter would be incremented by 50 from the second trade. If, however, the second order was not received until 10:31:05, the system would reset all counters for ABC since the time between the second trade and the previous trade was greater than the Time Interval.

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bought and sold in a class.

[9]   The delta maximum order volume is the absolute value of the net position in a class between (i) calls purchased and puts sold, and (ii) calls sold and puts purchased.

[10]   The delta maximum order value is the absolute value of the net position in a class between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts purchased and sold; or (iv) puts and calls sold.

[11]   The "Time Interval" is the highest value between the Exchange default and Participant-provided value.

After resetting the counters for ABC, the system will increment the maximum number of trades counter by 1 and the maximum traded volume by 50 contracts.

When a counter is triggered because it exceeds the maximum permissible value, all orders for that Participant ID in options on that class are cancelled unless such cancelation is not permitted under other rules.[12] When both the Exchange and a Participant provide values (other than zero) for the parameters, the most restrictive (i.e., the smallest value for the five counters and the highest value for the Time Interval) will be used by the system when determining if a counter has been triggered.

The Exchange proposes to adopt Rule 7330(b) (Traded Activity Protection) to provide enhanced risk protections for orders and quotes. Specifically, the Exchange shall maintain traded activity counters for: (1) maximum number of trades,[13] (2) maximum traded volume,[14] (3) maximum traded value,[15] (4) delta maximum volume,[16] and (5) delta maximum value.[17] Participants can provide values for these

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[12]   For a counter triggered for the incoming order side, action is taken following the trade that breached the limit. For a counter triggered for the resting order side, action is taken following the complete processing of the incoming order. As mentioned above, if a cancelation is not permitted under other BOX rules, the orders for that Participant ID will remain. For example, under BOX Rule 8050(d), Market Maker bids and offers are firm for the number of contracts specified in the bid or offer.

[13]   The maximum number of trades counter will keep track of total trades involving orders and/or quotes in all classes.

[14]   The maximum traded volume counter is designed to count the total volume traded involving orders and/or quotes in all classes.

[15]   The maximum traded value counter is the absolute dollar value of contracts bought and sold in a class from trades involving orders and/or quotes.

[16]   The delta maximum volume is the absolute value of the net position in all classes between (i) calls purchased and puts sold, and (ii) calls sold and puts purchased, for trades involving orders and/or quotes.

[17]   The delta maximum value is the absolute value of the net position in all classes between (i) calls purchased and sold, (ii) puts and calls purchased; (iii) puts

five counters and for the Time Interval, as described in further detail below. These proposed counters are similar to those in proposed Rule 7330(a) with the exception that the counters in the proposed Traded Activity Protection will count orders and quotes executed by a Participant, while the Automatic Order Cancellation only counts executed orders. Additionally, the Traded Activity Protection counts trades for all classes and not on a class-by-class basis as the Automatic Order Cancellation provides.

When a Participant's order and/or quote is executed, the system will look back over a specific period of time to determine whether the execution will cause the counters to be incremented. Specifically, if the difference between the time of the current trade and the time of the previous trade from the same Participant ID is greater than the Time Interval,[18] then the counters will be reset before adding the current trade to them. If, however, the difference between the time of the current trade and the time of the previous trade from the same Participant ID is less than or equal to the Time Interval, then the counters will be incremented for the current trade.

When a counter is triggered because it exceeds the maximum permissible value, all orders and quotes for that Participant ID in all classes are cancelled unless such cancelation is not permitted under other rules.[19] When both the Exchange and a

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purchased and sold; or (iv) puts and calls sold, for trades involving orders and/or quotes.

[18] The "Time Interval" is the highest value between the Exchange default and Participant-provided value.

[19] For a counter triggered for the incoming order or quote side, action is taken following the trade that breached the limit. For a counter triggered for the resting order or quote side, action is taken following the complete processing of the incoming order or quote. As mentioned above, if a cancelation is not permitted under other BOX rules, the orders for that Participant ID will remain. For

Participant provide values (other than zero) for the parameters, the most restrictive (i.e., the smallest value for the five counters and the highest value for the Time Interval) will be used by the system when determining if a counter has been triggered. A Participant may also elect for the system to lock-out the Participant ID when a counter is triggered or if the Exchange default requires a lock-out. When a lock-out is triggered, the system will prevent that Participant ID from submitting orders and/or quotes. Additionally, any request from that Participant ID to initiate an auction will be prevented. To submit orders and/or quotes to the Exchange after the lock-out is triggered, a Participant must call the MOC[20] directly to unlock the Participant ID. The Exchange notes that activity-based protections are not novel and other exchanges, including BOX, already have activity-based risk protections.[21] Additionally, the Exchange notes that the unlock feature mentioned above is not novel, as another exchange already has a similar feature as well.[22]

The Activity-based Protections are available to all Participants and are enabled when a Participant contacts the MOC and provides values for the parameters. The Exchange may also enable these features and provide default values for the parameters.

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example, under BOX Rule 8050(d), Market Maker bids and offers are firm for the number of contracts specified in the bid or offer.

[20]   The term "MOC" or "Market Operations Center" means the BOX Market Operations Center, which provides market support for Options Participants during the trading day.

[21]   See MIAX Rule 519A and BOX Rule 8130.

[22]   See MIAX Rule 519A(b). MIAX's Risk Protection Monitor will remain engaged until the member communicates with the exchange's help desk to enable the acceptance of new orders.

<u>Global Counter</u>

The last new protection mechanism that the Exchange is proposing is a Global Counter.[23] The Global Counter will count the number of triggering events across the Exchange's protection mechanisms per Participant ID. Specifically, under proposed Rule 7340 the system will count the number of triggering events from the Traded Order Protection, Traded Activity Protection and Automatic Quote Cancellation mechanisms. If the difference between the time of the current triggering event and the time of the previous triggering event from the same Participant ID is greater than the Global Counter Time Interval, as described below, then the Global Counter will be reset before adding the current triggering event to it. If, however, the difference between the time of the current triggering event and the time of the previous triggering event from the same Participant ID is less than or equal to the Global Counter Time Interval, then the Global Counter will be incremented without resetting the Global Counter first.

If multiple counters within the same category of protection are triggered by the same trade, the Global Counter will only be incremented by one. If, however, multiple counters from different categories of protection are triggered by the same trade, the Global Counter will be incremented by one for each category of protection, regardless of the number of counters within the same category of protection that were triggered. For example, if the maximum traded order volume counter for the Traded Order Protections and the maximum traded volume for the Trade Activity Protection are triggered by the same trade, then the Global Counter will only be incremented by one.

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[23]   <u>See</u> Proposed Rule 7340 (Global Counter).

Participants will be allowed to provide a limit for the Global Counter ("Global Limit") and the Exchange will also provide a default value for the Global Limit. If the Global Counter is triggered because it has reached or exceeded the Global Limit, the system will cancel all orders and/or quotes belonging to that Participant and the counter is reset. When determining if the Global Counter has been triggered, the system will use the most restrictive value for the Global Limit (i.e., the smallest value) between the Exchange default and Participant-provided limit. A Participant may also elect for the system to lock-out the Participant ID when the Global Counter is triggered or if the Exchange default requires a lock-out. When a lock-out is triggered, the system will prevent that Participant ID from submitting orders and/or quotes. Additionally, any request from that Participant ID to initiate an auction will be prevented.

The Global Counter is available to all Participants and is enabled when a Participant contacts the MOC and provides values for the parameters. The Exchange may also enable this feature and provide default values for the parameters. The Exchange notes that the proposed Global Counter is not novel and another exchange has a similar counting program on its exchange.[24]

Automatic Quote Cancellation

Currently, the Exchange offers activity-based protections for Market Makers. Specifically, Rule 8130 (Automatic Quote Cancellation) provides activity-based protections for a Market Maker's quoting activity. The Automatic Quote Cancellation mechanism contains numerous triggering parameters for which a Market Maker can provide values. The Exchange is now proposing to amend the Automatic Quote

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[24]   See MIAX Rule 612.02(b).

Cancellation mechanism by adding an additional triggering parameter. Specifically, the Exchange is proposing to add a parameter that tracks the percentage of the Market Maker's quote that is traded. The Exchange notes that this is not a novel proposal and another exchange already has this feature.[25] Additionally, the Exchange is proposing that it may provide default values for some or all of the parameters in Rule 8130; however, any Participant-provided value will override any Exchange defaults.

Additionally, the Exchange is proposing to provide clarity on when the counters will be reset. Specifically, the counters in Rule 8130 are reset when (i) the Participant provides an update to the value of one of the parameters, (ii) the time interval between a trade and its previous trade surpasses the time period, or (iii) the triggering of any of the time related counters.

Quote Removal Mechanism Upon Technical Disconnect

The Exchange is proposing to amend Rule 8140 to provide that when a Market Maker is disconnected from the Trading Host, the Market Maker's quotes will be cancelled. As part of this proposed change, the Exchange is proposing to remove one of the triggering parameters currently in Rule 8130. Specifically, the Exchange is proposing to remove the first triggering parameter for when a Market Maker experiences a duration of no technical connectivity for between one and nine seconds. The Exchange believes that this parameter is no longer needed since the Exchange's proposed change for Rule 8140 will cover when a Market Maker is disconnected.

The Exchange will provide Participants with notice, via Information Circular, about the implementation date of these proposed enhancements to the protections

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[25]   See MIAX Rule 612(b)(1).

offered by the Exchange. Additionally, any changes to any Exchange provided defaults will be communicated to Participants via Information Circular.

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"),[26] in general, and Section 6(b)(5) of the Act,[27] 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, by enhancing the risk protections available to Participants. The proposed rule filing promotes policy goals of the Commission which has encouraged execution venues, exchange and non-exchange alike, to enhance risk protection tools and other mechanisms to decrease risk and increase stability.

The individual firm benefits of enhanced risk protections flow downstream to counterparties both at the Exchange and at other options exchanges, thereby increasing systemic protections as well. Additionally, because the Exchange offers these risk tools to all Participants, the Exchange believes it will encourage liquidity generally and remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

These risk protections, as noted above, will be offered to all Participants on BOX. The Exchange further represents that its proposal will operate consistently with

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[26]   15 U.S.C. 78f(b).

[27]   15 U.S.C. 78f(b)(5).

the firm quote obligations of a broker-dealer pursuant to Rule 602 of Regulation NMS. Specifically, for a counter triggered for the resting order or quote side, action is taken following the complete processing of the incoming order or quote. Additionally, a Market Maker's obligation to provide continuous two-sided quotes on a daily basis is not diminished by the removal of such quotes through one of the risk protections. A Market Maker will be required to provide continuous two-sided quotes on a daily basis.

The Exchange believes that the proposed rule change will assist with the maintenance of a fair and orderly market by establishing new activity-based risk protections for orders and quotes. The Exchange believes that these proposed risk protections, in addition to the current risk protections available on the Exchange, will enable Participants to better manage their risk when trading on the Exchange. BOX believes the proposed risk controls will remove impediments to and perfect the mechanism of a free and open market by providing Participants with greater control over their activity.

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. BOX believes the proposal will provide market participants with additional protections while submitting orders and quotes to the Exchange. The Exchange does not believe the proposal will impose a burden on competition among the options exchanges, because of vigorous competition for order flow among the options exchanges. The Exchange competes with many other options exchanges. In this highly competitive market, market participants can easily and readily direct order flow to competing venues. The proposal does not impose an undue burden on intramarket competition

because all Participants may avail themselves of the risk controls on the Exchange. Additionally, the proposed activity-based protections are similar to those available on competing exchanges.[28] For these reasons, the Exchange does not believe this proposal imposes an undue burden on inter-market competition; rather, the proposed rule changes will have no impact on competition.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[29] and Rule 19b-4(f)(6) thereunder.[30] 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 prior to 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 and Rule 19b-4(f)(6)(iii) thereunder.

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[28]   See supra notes 4, 20 and 22.

[29]   15 U.S.C. 78s(b)(3)(A)(iii).

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

A proposed rule change filed under Rule 19b-4(f)(6)[31] normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),[32] the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the Exchange may provide Participants with additional risk protections while trading on the Exchange without undue delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.[33]

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:

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[31]   17 CFR 240.19b-4(f)(6).

[32]   17 CFR 240.19b-4(f)(6)(iii).

[33]   For purposes only of waiving the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

- 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-2016-30 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-BOX-2016-30. 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, on official
business days between the hours of 10:00 a.m. and 3:00 p.m., located at 100 F Street, NE,
Washington, DC 20549. 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-2016-30 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[34]

Jill M. Peterson
Assistant Secretary

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[34]   17 CFR 200.30-3(a)(12).