SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78618; File No. SR-BOX-2016-41)

August 18, 2016

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Market LLC ("BOX") Options Facility

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 August 15, 2016, 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 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 make a number of changes to the fees and credits for PIP and COPIP Transactions 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 make a number of changes to the fees and credits for PIP and COPIP Transactions.[5] Overall, the Exchange proposes to amend the Fee Schedule to differentiate between those PIP and COPIP transactions where the PIP or COPIP Order is from the account of a Public Customer; and those PIP and COPIP transactions where a PIP or COPIP Order is from the account of a Professional Customer, Broker Dealer or Market Maker ("Non-Public Customer"). While most PIP and COPIP Orders are from the account of a Public Customer, any type of BOX Participant may submit a PIP or COPIP Order with a matching contra order equal to the full size of the PIP or COPIP Order to the PIP and COPIP auction mechanisms. Therefore, the Exchange believes this distinction is appropriate, as the current fees, rebates, and credits for PIP and COPIP transactions within the BOX Fee Schedule are meant to incentivize Public Customer order flow to the PIP and COPIP auctions. The Exchange believes that similar incentives are not necessary for Non-

5 Transactions executed through Price Improvement Period ("PIP") and the Complex Order Price Improvement Period ("COPIP") auction mechanisms. All COPIP transactions will be charged per contract per leg.

Public Customer PIP and COPIP order flow and the proposed fees and credits below are meant to establish separate fees and credits for Non-Public Customer PIP and COPIP Order flow which, taken as a whole, do not offer the same level of inducement. Further, the Exchange notes that the distinction between auction transactions from a Public Customer versus a Non-Public Customer is already in place on another options exchange.[6]

Exchange Fees

PIP and COPIP Orders

The Exchange proposes to adjust certain fees for PIP and COPIP Transactions. Currently, Professional Customers, Broker Dealers and Market Makers are assessed a fee of $0.15 for PIP and COPIP Orders[7] and Public Customers are assessed no fee. The Exchange proposes to reduce the fees assessed to Professional Customers, Broker Dealers and Market Makers for PIP and COPIP Orders in Penny and Non-Penny Pilot Classes to $0.05.

Primary Improvement Order

Under the Primary Improvement Order[8] tiered fee structure, the Exchange assesses a per contract execution fee to all Primary Improvement Order executions initiated by the particular Initiating Participant. Percentage thresholds are calculated on a monthly basis by totaling the Initiating Participant's Primary Improvement Order volume submitted to BOX, relative to the total national Customer volume in multiply-listed options classes.

The Exchange proposes to first add language that will specify that the tiered fee schedule

---

6 See Miami International Securities Exchange LLC ("MIAX") Fee Schedule Section I(A)(v) available at https://www.miaxoptions.com/content/fees.

7 A PIP Order or COPIP Order is a Customer Order (an agency order for the account of either a customer or a broker-dealer) designated for the PIP or COPIP, respectively.

8 A Primary Improvement Order is the matching contra order submitted to the PIP or COPIP on the opposite side of the PIP or COPIP order.

for initiating participants will only apply to Primary Improvement Order executions where the corresponding PIP or COPIP Order is from the account of a Public Customer. The Exchange then proposes to introduce a flat per contract fee of $0.05 for all Primary Improvement Orders where the corresponding PIP or COPIP Order is from the account of a Non-Public Customer.

BOX Volume Rebate (“BVR”)

The Exchange then proposes to amend Section I.B.2 of the Fee Schedule (BVR). Under the current BVR, the Exchange offers a tiered per contract rebate for all PIP Orders and COPIP orders of 100 contracts and under. Percentage thresholds are calculated on a monthly basis by totaling the Participant’s PIP and COPIP volume submitted to BOX, relative to the total national Customer volume in multiply-listed options classes. The Exchange proposes to add language that will specify that only Public Customer PIP and COPIP Orders are eligible for the BVR.

Liquidity Fees and Credits

The Exchange then proposes to amend Section II.A. of the BOX Fee Schedule, Liquidity Fees and Credits for PIP and COPIP transactions. Specifically, the Exchange proposes to amend Section II.A. to differentiate between PIP and COPIP transactions where the PIP and COPIP Orders are from the accounts of Public Customers and PIP and COPIP transactions where the PIP and COPIP Orders are from the accounts of Non-Public Customers.

First, the Exchange proposes to specify that the current liquidity fees and credits will only apply to PIP and COPIP transactions where the PIP and COPIP Order is from the account of a Public Customer. The liquidity fees and credits for these PIP and COPIP Orders, the Primary Improvement Order and any corresponding Improvement Orders remain unchanged and will be as follows:

	Fee for Adding Liquidity	**Credit for Removing Liquidity**
Non-Penny Pilot Classes	$0.77	($0.77)
Penny Pilot Classes	$0.38	($0.38)

The Exchange then proposes to establish a new section for the Liquidity Fees and Credits of PIP and COPIP transactions where the PIP and COPIP Order is from the account of a Non-Public Customer. First, the Exchange proposes to specify that PIP or COPIP Orders from the account of a Non-Public Customer are assessed the "removal" credit only if the PIP or COPIP Order does not trade with its contra order (the Primary Improvement Order). The Exchange also proposes to specify that only responses to PIP and COPIP Orders from the account of a Non-Public Customer that are executed in these mechanisms, also known as Improvement Orders, shall continue to be charged the "add" fee. Specifically, a PIP or COPIP Order from the account of a Non-Public Customer that does not trade with its Primary Improvement Order, and the corresponding Improvement Orders will subject to the fees and credits in the following table:

	Fee for Adding Liquidity	**Credit for Removing Liquidity**
Non-Penny Pilot Classes	$0.77	($0.77)
Penny Pilot Classes	$0.38	($0.38)

For example, if a Broker Dealer submits a PIP Order for the account of a Non-Public Customer to buy 100 contracts in the PIP and there are no responders, the PIP Order would execute against the matching Primary Improvement Order to sell 100 contracts and neither Order would be assessed a liquidity fee or credit. If, instead, the same PIP Order receives an Improvement Order response to sell 75 contracts, at the end of the auction the PIP Order would now execute against the Improvement Order for 75 contracts and the Primary Improvement Order for 25 contracts, and liquidity fees and credits would only be assessed on the 75 contracts which executed against the Improvement Order. Specifically, the 75 contracts from the PIP Order will receive the removal credit and the 75 contracts from the Improvement Order will be charged the add fee.

Lastly, the Exchange also proposes to update the footnote numbering and make other non-substantive technical changes within the BOX Fee Schedule.

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,[9] 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.

Exchange Fees

PIP and COPIP Transactions

The Exchange believes that reducing the fees assessed to Professional Customers, Broker Dealers and Market Makers for PIP and COPIP Orders in Penny and Non-Penny Pilot Classes is reasonable, equitable, and not unfairly discriminatory. In particular, the Exchange believes that reducing these fees will encourage auction order flow to the Exchange, which will benefit all market participants on the Exchange. BOX believes that the proposed fee reductions from $0.15 to $0.05 are reasonable and in line with similar fees on other exchanges.[10] Further, the Exchange believes the $0.05 fee is equitable and not unfairly discriminatory, as it applies equally to all Market Maker, Professional Customers and Broker Dealers submitting PIP and COPIP Orders to

---

9 15 U.S.C. 78f(b)(4) and (5).

10 See MIAX Fee Schedule Section I(A)(v); Phlx Pricing Schedule Section IV and ISE Fee Schedule Section I. Comparable fees at these exchanges range from $0.05 to $0.30.

the PIP and COPIP auction mechanisms. The Exchange believes it is equitable and not unfairly discriminatory to charge these Non-Public Customers more for their PIP and COPIP Orders in Penny and Non-Penny Pilot Classes than Public Customers. The practice of incentivizing increased Public Customer order flow is common in the options markets.

Primary Improvement Order

The Exchange believes that adding language to specify that the tiered fee schedule for initiating participants will only apply to Primary Improvement Order executions where the corresponding PIP or COPIP Order is from the account of a Public Customer, as well as introducing a flat per contract fee of $0.05 for all Primary Improvement Orders where the corresponding PIP or COPIP Order is from the account of a Non-Public Customer is reasonable, equitable and not unfairly discriminatory. The Exchange also believes the proposed $0.05 fee for Primary Improvement Order executions where the corresponding PIP or COPIP Order is from the account of a Non-Public Customer is reasonable, as it is within the range of fees currently assessed on all Primary Improvement Orders on BOX.[11] The Exchange believes that this distinction is reasonable and competitive, as it is made on another options exchange.[12] Finally, the Exchange believes that differentiating between Public Customer and Non-Public Customer PIP and COPIP Orders, and their corresponding Primary Improvement Orders is equitable and not unfairly discriminatory. As stated above, the current fees, credit and rebates for PIP and COPIP transactions are meant to encourage Public Customer order flow to the PIP

---

11 For Primary Improvement Order executions, contract fees range from $0.25 to $0.02.

12 PHLX also distinguishes between a PIXL Order from the account of a Non-Customer as compared to a PIXL Order from the account of a Customer. See NASDAQ PHLX LLC ("Phlx") Fee Schedule Section V. When a PIXL Order is contra to a PIXL Auction Responder, a Customer PIXL Order will be assessed $0.00 per contract where a Non-Customer PIXL Order will be assessed $0.30 per contract in Penny Pilot Options or $0.38 in Non-Penny Pilot Options.

and COPIP auction mechanisms. Specifically, the tiered fee schedule for initiating participants encourages Order Flow Providers to submit Public Customer orders to the PIP or COPIP to gain the benefit of a lower fee. The Exchange believes that this incentive is not necessary for Non-Public Customer PIP and COPIP order flow and that the proposed flat $0.05 fee is appropriate. Specifically, when taken as a whole, the proposed Non-Public Customer PIP and COPIP transactions fees will result in the PIP or COPIP Order always being assessed a $0.05 fee with no rebate potential,[13] and the corresponding Primary Improvement Order being assessed a flat $0.05 fee. In comparison, the Initiating Participant's Primary Improvement Order for a Public Customer PIP or COPIP Order could potentially be assessed a fee as low as $0.02,[14] while the corresponding PIP or COPIP Order would be assessed no fee and could obtain a rebate of up $0.12 (PIP Orders) or $0.06 (COPIP Orders) depending on the Participant's volume.

BOX Volume Rebate

The Exchange believes the proposed changes to the BVR are reasonable, equitable and not unfairly discriminatory. The BVR was adopted to attract Public Customer order flow to the Exchange by offering these Participants incentives to submit their PIP and COPIP Orders to the Exchange.[15] As such, the Exchange believes it is reasonable and appropriate to exempt Non-Public Customer PIP and COPIP Orders from the BVR. Further, the Exchange believes this exemption is equitable and not unfairly discriminatory as it will apply to all Non-Public Customers uniformly. As stated above, providing specific incentives for Public Customer volume is common both within the options industry and elsewhere in the BOX Fee Schedule.

---

13 These transactions will be exempt from the BVR.

14 The Exchange notes that a majority of Primary Improvement Order executions are assessed Tier 4 and 5 fees within the tiered fee schedule for Initiating Participants.

15 See Securities Exchange Release No. 73547 (November 6, 2014), 79 FR 67520 (November 13, 2014) (SR-BOX-2014-25).

Liquidity Fees and Credits

The Exchange believes amending the Liquidity Fees and Credits for PIP and COPIP transactions to differentiate between PIP and COPIP transactions where the PIP or COPIP Order is from the account of a Public Customer, and the PIP or COPIP Order is from the account of a Non-Public Customer is reasonable, equitable and not unfairly discriminatory. As stated above, the current liquidity fees and credits for PIP and COPIP transactions are focused on incentivizing Public Customer order flow to the PIP and COPIP auctions. Therefore, the Exchange believes it is equitable and not unfairly discriminatory to establish different fees and credits for Non-Public Customer order flow to these auction mechanisms. The Exchange notes that the liquidity fees and credits for PIP and COPIP transactions where the PIP and COPIP Order is from the account of a Public Customer remain unchanged.

Accordingly, the Exchange believes the proposed liquidity fees and credits for PIP and COPIP transactions where the PIP or COPIP Order are from the account of a Non-Public Customer are reasonable, equitable and not unfairly discriminatory as they are identical to the current liquidity fees and credits assessed for PIP and COPIP transactions where the PIP or COPIP Order is from the account of a Public Customer.

The Exchange also believes it is reasonable, equitable and not unfairly discriminatory to only apply the liquidity fees and credits to the portion of the PIP or COPIP Order from the account of a Non-Public Customer that does not trade with its contra order, and the Improvement Order responses. Liquidity fees and credits on BOX do not directly result in revenue to BOX, but are meant to incentivize Participants to attract order flow. Because of the value of Public Customer order flow, the Exchange believes these incentives are appropriate even if the Public Customer PIP or COPIP Order is fully internalized and trades only against its matching Primary

Improvement Order. However, as stated above, the Exchange believes that the same level of incentives is not necessary for Non-Public Customer PIP or COPIP order flow. Therefore, the Exchange believes it reasonable to only provide these incentives to the portion of the Non-Public Customer PIP or COPIP Orders where liquidity is being added in the form of Improvement Order responses. Further, the Exchanges notes that the liquidity fees and credits for transactions within the Facilitation and Solicitation auction mechanism (Section II.B. of the BOX Fee Schedule) are assessed in a similar manner, and that the distinction is also made within the price improvement mechanism fees and rebates on another exchange in the options industry.[16]

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 adjustments to the Non-Public Customer PIP and COPIP Transactions fees will not impose a burden on competition among various Exchange Participants. Rather, BOX believes that the changes will result in the Participants being charged appropriately for their Non-Public Customer PIP and COPIP Transactions and is designed to enhance competition in Auction transactions on BOX. Submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange.

The Exchange also believes that amending the proposed liquidity fees and credits for Non-Public Customer PIP and COPIP Transactions will not impose a burden on competition among various Exchange Participants. The Exchange believes that the proposed changes will result these Participants being charged or credited appropriately for these transactions.

---

16 Under Section I of the ISE Fee Schedule, the initiator receives a $0.35 "break-up" rebate only for contracts that are submitted to the PIM that do not trade with their contra order. The responder fee for these Orders is only applied to any contracts for which the rebate is provided.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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 Act[17] and Rule 19b-4(f)(2) thereunder,[18] 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.

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:

---

17 15 U.S.C. 78s(b)(3)(A)(ii).

18 17 CFR 240.19b-4(f)(2).

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-2016-41 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-2016-41. 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-2016-41, 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.[19]

Robert W. Errett
Deputy Secretary

[19] 17 CFR 200.30-3(a)(12).