

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-80917; File No. SR-BOX-2017-20)

June 13, 2017

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BOX Rule 7240 (Complex Orders) to Expand the Price Range Within Which Complex Orders Can Trade

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 2, 2017, 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 Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 BOX Rule 7240 (Complex Orders) to expand the price range within which Complex Orders can trade. 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

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend BOX Rule 7240 (Complex Orders) to expand the price range within which Complex Orders can trade by allowing the execution of Complex Order trades on BOX Market LLC ("BOX"), the options trading facility of the Exchange, at prices equal to or better than the Extended cNBBO, as described below.

Background

Currently, on BOX, all inbound Complex Orders are filtered to ensure that each leg of a Complex Order will be executed at a price that is equal to or better than the National Best Bid or Offer ("NBBO") and the BOX Best Bid or Offer ("BOX BBO") for each of the component series. Specifically, if an inbound Complex Order is executable (against either opposite side Complex Orders on the Complex Order Book or interest on the BOX Book) on BOX, BOX will determine if the potential execution price is equal to or better than both cNBBO<sup>5</sup> and cBBO.<sup>6</sup> If so, the inbound Complex Order will be executed to the extent possible according to the priority described in Rule 7240(b)(3).

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<sup>5</sup> The term "cNBBO" means the best net bid and offer price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy. See Rule 7240(a)(3).

<sup>6</sup> The term "cBBO" means the best net bid and offer price for a Complex Order Strategy based on the BBO on the BOX Book for the individual options components of such Strategy. See Rule 7240(a)(1).

## Proposal

The Exchange is now proposing that, with an inbound Complex Order on BOX, BOX will determine if the potential execution price is equal to or better than both Extended cNBBO, as described in greater detail below, and cBBO. If so, the inbound Complex Order will be executed to the extent possible according to the priority described in Rule 7240(b)(3). The Exchange notes that the Complex Order Filter was initially established to protect Participants from extreme or erroneous executions.<sup>7</sup> In practice, however, BOX Participants have expressed that the existing Complex Order Filter is too restrictive and prevents executions that would be allowed to execute on competing exchanges. The expanded price range proposed below is designed to support a fair and orderly market addressing these concerns while continuing to mitigate the potential risk of executions at prices that are extreme or potentially erroneous. BOX will also continue to ensure that each leg of a Complex Order be executed at a price that is equal to or better than the BOX BBO for each of the component series but, as a result of the Extended cNBBO, BOX will no longer require that each leg of a Complex Order be executed at a price that is equal to or better than the NBBO.<sup>8</sup>

### **Extended cNBBO**

The Extended cNBBO is the maximum net bid and offer execution price for a Complex Order Strategy.<sup>9</sup> The Extended cNBBO is calculated by subtracting the Extended

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<sup>7</sup> See Securities Exchange Act Release No. 69419 (April 19, 2013), 78 FR 24449 (April 25, 2013) (Order Approving SR-BOX-2013-01).

<sup>8</sup> See proposed Rule 7240(b)(3)(iii). Complex Orders will continue to be execute [sic] in accordance with the priority rules in BOX Rule 7240(b)(2).

<sup>9</sup> See proposed Rule 7240(a)(5).

cNBBO Limit<sup>10</sup> from the cNBB<sup>11</sup> and adding the Extended cNBBO Limit to the cNBO.<sup>12</sup> In calculating the Extended cNBBO, each side of the Extended cNBBO is rounded to the nearest penny within the Extended cNBBO (i.e. the cNBB is rounded up to the nearest penny and the cNBO is rounded down to the nearest penny). The Extended cNBBO Limit is a percentage or an amount, whichever provides the less restrictive range (i.e. the widest range) when calculating the Extended cNBBO. The Exchange is proposing to make the parameters configurable, with a minimum percentage of 3% and maximum percentage of 50%; and a minimum amount of \$0.00 and maximum amount of \$1.00. However, the default Extended cNBBO Limit for all classes will be 5% of the cNBB or cNBO as applicable or \$0.05 whichever allows for the greater chance of execution. The default Extended cNBBO was determined based on industry standards and participant feedback..

The Exchange believes the proposed price protection parameters are reasonable and appropriate. The proposed Extended cNBBO filter is comparable to the price protections that are currently in place on other exchanges. The Exchange's proposal is designed to provide flexibility in determining the acceptable execution range by allowing the acceptable execution range to be calculated using either a percentage amount or a dollar amount.<sup>13</sup> For example, by using a parameter that is a percentage of the cNBBO the Exchange is ensuring that the

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<sup>10</sup> See proposed Rule 7240(a)(6).

<sup>11</sup> The term "cNBB" means the best net bid price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy. See Rule 7420(a)(2).

<sup>12</sup> The term "cNBO" means the best net offer price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy. See Rule 7240(a)(4).

<sup>13</sup> See e.g., Nasdaq OMX PHLX ("Phlx") Rule 1098(h)(i) Acceptable Complex Execution Parameter and Chicago Board Options Exchange ("CBOE") Rule 6.53C.08(e) Acceptable Range Parameter which both apply a percentage defined on an issue by issue basis; while MIAX Options Exchange ("MIAX") Rule 518(c)(1)(iv) applies a specific dollar amount.

parameter accurately reflects the market for the Complex Order. However, this is not always an effective protection if the price of the order is relatively low because it results in a restrictive range as seen in Example 2 below.<sup>14</sup> Instead, the BOX Trading Host will determine the ranges associated with both parameters and apply the least restrictive option.

The Exchange may modify, based on market conditions (for example, volatility) and Participant feedback, the Extended cNBBO Limit with prior notice to the Participants via Regulatory Circular, provided that the Exchange provides Participants with at least two weeks notice.

### **Complex Order Filter**

Currently, on BOX, all inbound Complex Orders to BOX are filtered to ensure that each leg of a Complex Order will be executed at a price that is equal to or better than the NBBO and the BOX BBO for each component series.

The Exchange proposes now to amend the cNBBO filter for the component series. Specifically, all inbound Complex Orders to BOX will be filtered to ensure that each leg of a Complex Order will be executed at a price that is equal to or better than the BOX BBO for each of the component series and the Extended cNBBO for the Complex Order Strategy.

The execution, exposure and cancellation of Complex Orders being filtered on BOX pursuant to Rule 7240(b)(3)(iii) will remain unchanged from current operations except that the calculation of cNBBO will be replaced with the proposed Extended cNBBO, which provides a wider range to allow executions.

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<sup>14</sup> MIAX discussed this concern when justifying its use of a dollar value parameter for its comparable complex order price protection. See Securities Exchange Act Release No. 80089 (February 22, 2017), 82 FR 12153 (February 28, 2017)(Notice of Filing and Immediate Effectiveness SR-MIAX-2017-06).

The Exchange notes that amending the Complex Order Filter is a competitive change, and BOX believes that amending this feature will keep the Exchange in line with competing exchanges in the industry that have comparable price protections for complex orders.

### **Implied Orders**

Currently, on BOX, an Implied Order is a Complex Order at the cNBBO, derived from the orders at the BBO on the BOX Book for each component leg of the Strategy, provided each component leg is at a price equal to the NBBO for that series. When an Implied Order is no longer at the cNBBO, the Implied Order will be removed and a new Implied Order will be generated, provided there is interest on the BOX Book to generate an Implied Order at the new cNBBO, provided each component leg is at a price equal to the NBBO for that series.

The Exchange is now proposing that the generation of an Implied Order will not be limited only to the cNBBO. Specifically, the Exchange is proposing to generate an Implied Order at or within the Extended cNBBO, rather than the cNBBO derived from the orders at the BBO on the BOX Book for each component leg of the Strategy.<sup>15</sup> In order to give effect to the new Extended cNBBO range, the Exchange will no longer require each component leg to be at a price equal to the NBBO for that series.

### **Examples**

The following examples illustrate the effect of the proposed change on execution of Complex Orders on BOX.

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<sup>15</sup> See proposed Rule 7240(d)

### Example 1

#### Prior to Proposed Change

- cNBBO for A+B is 137.40 – 137.60
- Order to sell 10 A+B at 144.00 is received

BOX Book For Complex Order A+B			
Quantity	Buy	Sell	Quantity
10	144.00		

BOX Book Instrument A			
Quantity	Buy	Sell	Quantity
10	120.00	128.00	10

BOX Book Instrument B			
Quantity	Buy	Sell	Quantity
10	11.00	17.00	10

**Result:** The incoming Complex Order is rejected because it would trade at a price (144.00) that is outside the cNBBO.

#### After the Proposed Change

- Alternative A: The Extended cNBBO for A+B based on percentage is 130.53 – 144.48 (i.e.,  $(137.40 \cdot .95) - (137.60 \cdot 1.05)$ )
- Alternative B: The Extended cNBBO for A+B based on amount is 137.35 – 137.65 (i.e.,  $(137.40 - .05) - (137.60 + .05)$ )
- Alternative A's calculation of the Extended cNBBO for A+B is used (130.53 – 144.48)

BOX Book For Complex Order A+B			
Quantity	Buy	Sell	Quantity
10	144.00		

<b>BOX Book Instrument A</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>120.00</b>	<b>128.00</b>	<b>10</b>

<b>BOX Book Instrument B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>11.00</b>	<b>17.00</b>	<b>10</b>

**Result:** The incoming Complex Order is accepted because it would trade at a price (144.00) that is less than the maximum price range (144.48). The incoming Complex Order trades completely against the Complex Order to buy 10 at 144.00 on the Complex Order Book.

### Example 2

#### Prior to the Proposed Change

- cNBBO for A+B is .07 – 0.10
- Order to sell 10 A+B at 0.12 is received

<b>BOX Book For Complex Order A+B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>0.12</b>		

<b>BOX Book Instrument A</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
		<b>0.30</b>	<b>10</b>

<b>BOX Book Instrument B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
		<b>0.30</b>	<b>10</b>

**Result:** The incoming Complex Order is rejected because it would trade at a price (0.12) that is outside the cNBBO.

**After the Proposed Change**

- Alternative A: The Extended cNBBO for A+B based on percentage is 0.07 – 0.10 (i.e.,  $(0.07 \times .95) - (0.10 \times 1.05)$ )
- Alternative B: The Extended cNBBO for A+B based on amount is 0.02 – 0.15 (i.e.,  $(0.07 - .05) - (0.10 + .05)$ )
- Alternative B's calculation of the Extended cNBBO for A+B is used (0.02 – 0.15)

<b>BOX Book For Complex Order A+B</b>			
Quantity	Buy	Sell	Quantity
10	0.12		

<b>BOX Book Instrument A</b>			
Quantity	Buy	Sell	Quantity
		0.30	10

<b>BOX Book Instrument B</b>			
Quantity	Buy	Sell	Quantity
		0.30	10

**Result:** The incoming Complex Order is accepted because it trades at a price (0.12) that is less than the maximum price range (0.15). The incoming Complex Order trades completely against the Complex Order to buy 10 at 0.12 on the Complex Order Book.

### Example 3

#### Prior to the Proposed Change

- cNBBO for A+B is 137.40 – 137.60
- Order to buy 10 A+B at 144.48 is received
- NBBO for A is 124.50 – 124.60
- NBBO for B is 12.90 – 13.00

BOX Book For Complex Order A+B			
Quantity	Buy	Sell	Quantity

BOX Book Instrument A			
Quantity	Buy	Sell	Quantity
10	120.00	128.00	10

BOX Book Instrument B			
Quantity	Buy	Sell	Quantity
10	11.00	16.48	10

**Result:** The incoming Complex Order is exposed by the system at 137.60 pursuant to Rule 7240 (b)(3)(iii)(B). If interest remains after the exposure, it will be posted to the Complex Order Book. If, however, the Participant submitting the Complex Order has elected not to have the Complex Order exposed, the Complex Order will be posted to the Complex Order Book or cancelled in accordance with the Participant's instructions.

#### After the Proposed Change

- Alternative A: The Extended cNBBO for A+B based on percentage is 130.53 – 144.48 (i.e.,  $(137.40 * .95) - (137.60 * 1.05)$ )

- Alternative B: The Extended cNBBO for A+B based on amount is 137.35 – 137.65 (i.e., (137.40 - .05) – (137.60 + .05))
- Alternative A's calculation of the Extended cNBBO for A+B is used (130.53 – 144.48)

<b>BOX Book For Complex Order A+B</b>			
Quantity	Buy	Sell	Quantity

<b>BOX Book Instrument A</b>			
Quantity	Buy	Sell	Quantity
10	120.00	128.00	10

<b>BOX Book Instrument B</b>			
Quantity	Buy	Sell	Quantity
10	11.00	16.48	10

**Result:** The incoming Complex Order trades at 144.48 against interest on the BOX Book for A and B, specifically against the order to sell 10 A at 128.00 and the order to sell 10 B at 16.48.

#### Example 4

##### Prior to the Proposed Change

- cNBBO for A+B is 137.40 – 137.60
- Market Order to buy 100 A+B

<b>BOX Book For Complex Order A+B</b>			
Quantity	Buy	Sell	Quantity
		144.00	10
		145.00	10

<b>BOX Book Instrument A</b>			
Quantity	Buy	Sell	Quantity
10	120.00	128.00	10

<b>BOX Book Instrument B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>11.00</b>	<b>17.00</b>	<b>10</b>

**Result:** The incoming Market Complex Order is exposed by the system at 137.60. If, however, the Participant submitting the Complex Order elected to not have the Complex Order be exposed, the Complex Order will be cancelled to avoid matching with the 10 A+B at 144 which is outside the cNBBO.

**After the Proposed Change**

- Alternative A: The Extended cNBBO for A+B based on percentage is 130.53 – 144.48 (i.e.,  $(137.40 * .95) - (137.60 * 1.05)$ )
- Alternative B: The Extended cNBBO for A+B based on amount is 137.35 – 137.65 (i.e.,  $(137.40 - .05) - (137.60 + .05)$ )
- Alternative A's calculation of the Extended cNBBO for A+B is used (130.53 – 144.48)

<b>BOX Book For Complex Order A+B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
		<b>144.00</b>	<b>10</b>
		<b>145.00</b>	<b>10</b>

<b>BOX Book Instrument A</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>120.00</b>	<b>128.00</b>	<b>10</b>

<b>BOX Book Instrument B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>11.00</b>	<b>17.00</b>	<b>10</b>

**Result:** The incoming Market Order to buy 100 first trades against the 10 A+B at 144.00 which is less than the maximum price range (144.48). The remaining 90 quantity of the Market Order is exposed at 144.48, unless the Participant submitting the Complex Order has elected not to have the Complex Order exposed. If interest remains after the exposure, it will be canceled to avoid matching with the 10 A+B at 145 which is outside the Extended cNBBO.

### Example 5

#### Prior to the Proposed Change

- cNBBO for A+2B is 150.30 – 153.70
- Order to sell 10 A+2B at 161.38 is received

BOX Book For Complex Order A+2B			
Quantity	Buy	Sell	Quantity
10	161.38		

BOX Book Instrument A			
Quantity	Buy	Sell	Quantity
10	120.00	127.70	10

BOX Book Instrument B			
Quantity	Buy	Sell	Quantity
10	11.00	16.80	1

**Result:** The inbound Complex Order is rejected because it would trade at a price (161.38) outside the cNBBO.

#### After the Proposed Change

- Alternative A: The Extended cNBBO for A+2B based on percentage is 142.79 – 161.38 (i.e.,  $(150.30 \cdot 0.95) - (153.70 \cdot 1.05)$ )

- Alternative B: The Extended cNBBO for A+2B based on amount is 150.25 – 153.75 (i.e., (150.30 - .05) – (153.70 + .05))
- Alternative A’s calculation of the Extended cNBBO for A+2B is used (142.79 – 161.38)

<b>BOX Book For Complex Order A+2B</b>			
Quantity	Buy	Sell	Quantity
10	161.38		

<b>BOX Book Instrument A</b>			
Quantity	Buy	Sell	Quantity
10	120.00	127.70	10

<b>BOX Book Instrument B</b>			
Quantity	Buy	Sell	Quantity
10	11.00	16.80	1

**Result:** The incoming Complex Order is at the calculated Extended cNBBO (161.38) and therefore is accepted. The incoming Complex Order trades against the resting Complex Order to buy A+2B at 161.38.

### Example 6

#### Prior to the Proposed Change

- cNBBO for A+B is 137.40 – 137.60
- Order to sell 10 A+B at 142.48 is received

<b>BOX Book For Complex Order A+B</b>			
Quantity	Buy	Sell	Quantity
10	150.00		

BOX Book Instrument A			
Quantity	Buy	Sell	Quantity

BOX Book Instrument B			
Quantity	Buy	Sell	Quantity

**Result:** The incoming Complex Order is rejected because it would trade at a price (142.48) that is outside the cNBBO.

**After the Proposed Change**

- Alternative A: The Extended cNBBO for A+B based on percentage is 130.53 – 144.48 (i.e.,  $(137.40 * .95) - (137.60 * 1.05)$ )
- Alternative B: The Extended cNBBO for A+B based on amount is 137.35 – 137.65 (i.e.,  $(137.40 - .05) - (137.60 + .05)$ )
- Alternative A's calculation of the Extended cNBBO for A+B is used (130.53 – 144.48)

BOX Book For Complex Order A+B			
Quantity	Buy	Sell	Quantity
10	150.00		

BOX Book Instrument A			
Quantity	Buy	Sell	Quantity

BOX Book Instrument B			
Quantity	Buy	Sell	Quantity

**Result:** The incoming Complex Order trades against the resting Complex Order. Specifically, the incoming Complex Order executes against the resting Complex Order at 144.48 which is equal to the Extended cNBBO (144.48).

**Example 7**

**Prior to the Proposed Change**

- cNBBO for A+B is 137.40 – 137.60
- Order to sell 10 A+B at 145.00 is received

BOX Book For Complex Order A+B			
Quantity	Buy	Sell	Quantity
10	150.00		

BOX Book Instrument A			
Quantity	Buy	Sell	Quantity

BOX Book Instrument B			
Quantity	Buy	Sell	Quantity

**Result:** The incoming Complex Order is rejected because it would trade at a price (145.00) that is outside the cNBBO.

**After the Proposed Change**

- Alternative A: The Extended cNBBO for A+B based on percentage is 130.53 – 144.48 (i.e.,  $(137.40 \cdot .95) - (137.60 \cdot 1.05)$ )
- Alternative B: The Extended cNBBO for A+B based on amount is 137.35 – 137.65 (i.e.,  $(137.40 - .05) - (137.60 + .05)$ )

- Alternative A's calculation of the Extended cNBBO for A+B is used (130.53 – 144.48)

<b>BOX Book For Complex Order A+B</b>			
Quantity	Buy	Sell	Quantity
10	150.00		

<b>BOX Book Instrument A</b>			
Quantity	Buy	Sell	Quantity

<b>BOX Book Instrument B</b>			
Quantity	Buy	Sell	Quantity

**Result:** The incoming Complex Order is rejected because it would trade against the resting Complex Order at a price (145.00) outside the Extended cNBBO (144.48).

### Example 8

#### Prior to the Proposed Change

- cNBBO for A+B is 137.40 – 137.60
- Order to sell 100 A+B at 130.40 is received

<b>BOX Book For Complex Order A+B</b>			
Quantity	Buy	Sell	Quantity
10	130.60		

<b>BOX Book Instrument A</b>			
Quantity	Buy	Sell	Quantity

<b>BOX Book Instrument B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>

**Result:** The incoming Complex Order would be exposed by the system at 137.40. If the Participant submitting the Complex Order has elected to not have the Complex Order exposed, the Complex Order will be cancelled. If interest remains after the exposure, it will be canceled to avoid matching with the 10 A+B at 130.60 which is outside the cNBBO.

**After the Proposed Change**

- Alternative A: The Extended cNBBO for A+B based on percentage is 130.53 – 144.48 (i.e.,  $(137.40 * .95) - (137.60 * 1.05)$ )
- Alternative B: The Extended cNBBO for A+B based on amount is 137.35 – 137.65 (i.e.,  $(137.40 - .05) - (137.60 + .05)$ )
- Alternative A’s calculation of the Extended cNBBO for A+B is used (130.53 – 144.58)

<b>BOX Book For Complex Order A+B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>
<b>10</b>	<b>130.60</b>		

<b>BOX Book Instrument A</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>

<b>BOX Book Instrument B</b>			
<b>Quantity</b>	<b>Buy</b>	<b>Sell</b>	<b>Quantity</b>

**Result:** The incoming Complex Order first trades against the resting Complex Order for 10 at 130.60 and then the remaining quantity is exposed. Specifically, the remaining 90 A+B is exposed at the Extended cNBBO (130.53). Any remaining quantity that is not executed at the end of the exposure period will be posted to the Complex Order Book.

## 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”),<sup>16</sup> in general, and Section 6(b)(5) of the Act,<sup>17</sup> 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 Exchange proposes to allow Complex Orders to be executed on BOX in a wider range of prices, which will permit additional executions. As is apparent from the examples included in the description of purpose above, a number of Complex Order executions that would otherwise be made between willing buyers and sellers on BOX, but which are now rejected under the Exchange’s current rules, will be allowed to execute under this proposed rule change.

The Exchange believes the proposal is an improvement over its current rules regarding Complex Orders and will benefit all market participants submitting Complex Order [sic] to BOX. As discussed above, the Exchange found that in practice, the current Complex Order Filter is too restrictive and prevents executions that Participants would otherwise want. The Exchange believes that the proposed change is designed to support a fair and orderly market

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<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

by addressing the concerns expressed by BOX Participants, while continuing to mitigate the potential risk of executions at prices that are extreme or potentially erroneous. The Exchange believes that this rule filing is reasonable, equitable and not unfairly discriminatory to customers and Participants because, other than the expanded execution range represented by the Extended cNBBO, it follows the existing mechanics of the Exchange's existing Complex Order filter mechanism and the Exchange's existing Complex Order priority rules, each of which has previously been approved by the Commission. The Exchange further believes the proposal is not unfairly discriminatory because the benefits of the proposal on BOX are equally available to all Participants.

The Exchange believes this proposal will increase opportunities for execution of Complex Orders and orders on the BOX Book. Further, the Exchange believes the proposed Extended cNBBO will provide greater flexibility to Participants trading Complex Orders on BOX. The Exchange also believes the proposal will provide additional opportunities for Participants to achieve better handling of Complex Orders and result in increased opportunities for execution. As a result, adopting this proposal to allow executions of Complex Orders within the Extended cNBBO will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanism of a free and open market and a national market system.

For the foregoing reasons, the Exchange believes this proposal is a reasonable modification to its rules, designed to facilitate increased interaction of Complex Orders on BOX, and to do so in a manner that maximizes opportunities for trade executions for Complex

Orders. The Exchange believes it is appropriate and consistent with the Act to adopt the proposed rule changes.

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.

Implementation of the proposed rule change will foster additional executions and enable greater competition among other competing exchanges that have comparable complex order filter provisions for the reasons set forth above. Further, the Exchange does not believe the proposed change will impose a burden on intramarket competition as the proposed change will affect all Participants equally.

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

(a) This proposed rule change is filed pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act<sup>18</sup> and Rule 19b-4(f)(6) thereunder.<sup>19</sup>

(b) This proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.<sup>20</sup>

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

<sup>20</sup> 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.

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-2017-20 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-2017-20. 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-2017-20, 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>21</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>21</sup> 17 CFR 200.30-3(a)(12).