

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- 81153; File No. SR-BOX-2017-24)

July 17, 2017

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

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 July 6, 2017, 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. 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 adopt transactions fees for Qualified Contingent Cross ("QCC") transactions. A QCC Order is an originating order (Agency Order) to buy or sell at least 1,000 standard option contracts, or 10,000 mini-option contracts, that is identified as being part of a qualified contingent trade, coupled with a contra side order to buy or sell an equal number of contracts. The Exchange is proposing to establish fees for QCC Orders to coincide with the launch of QCC Orders on the Exchange beginning July 10, 2017⁵.

The Exchange proposes to establish a transaction fee for all Public Customer QCC Orders of \$0.00 per contract side. Further, the Exchange proposes to establish a transaction fee for all non-Public Customer (Professional Customers, Broker Dealers and Market Makers) QCC Orders of \$0.20 per contract side.⁶ In addition, the Exchange is proposing to adopt a \$0.15 per

⁵ See Securities Exchange Act Release No. 80661 (May 11, 2017), 82 FR 22682 (May 17, 2017)(Notice of Filing and Immediate Effectiveness SR-BOX-2017-14).

⁶ The Exchange notes that all QCC Orders will count toward Participant tier volume calculations.

contract rebate that will be applied to the Agency Order⁷ where at least one party to the QCC transaction is a Non-Public Customer. The rebate will be paid to the Participant that entered the order into the BOX system. However, no rebates will be paid for QCC transactions in which both the Agency Order and the contra-side orders are Public Customers.

Additionally, the Exchange proposes to state explicitly in the Fee Schedule that a QCC transaction must be comprised of an originating order to buy or sell at least 1,000 contracts or 10,000 mini-option contracts⁸, coupled with a contra-side order or orders totaling an equal number of contracts as the originating order.⁹ The Exchange notes that with regard to order entry, the first order submitted into the BOX system is marked as the Agency Order and the second order received by the BOX system is marked as the contra side order.

Lastly, the Exchange proposes to specify that QCC Orders will be exempt from the Liquidity Fees and Credits outlined in Section II of the BOX Fee Schedule.

The purpose of these changes is to incentivize the sending of QCC Orders to the Exchange. The Exchange notes that other competing exchanges similarly provide fees and rebates on QCC Orders.¹⁰

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section

⁷ For QCC transactions, an Agency Order is the originating order to buy or sell at least 1,000 contracts or 10,000 mini-contracts.

⁸ The Exchange notes that mini-options are not currently traded on BOX and are therefore not present in the BOX Fee Schedule.

⁹ See BOX Rule 7110(c)(6).

¹⁰ See Chicago Board Options Exchange (“CBOE”), Fees Schedule, “QCC Rate Table,” Page 5; Miami International Securities Exchange LLC (“MIAX”), Fee Schedule, Section 1(a)(vi).

6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,¹¹ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes the proposed transaction fees for QCC Orders are reasonable and in line with the amount assessed at other Exchanges for similar transactions.¹² Additionally, the same proposed fee would be charged to all non-Public Customer QCC Orders. The Exchange believes that charging Professional Customers and Broker Dealers and Market Makers more than Public Customers for QCC Orders is reasonable, equitable and not unfairly discriminatory. The securities markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for Public Customer benefit. The Exchange believes that charging no fees to Public Customers in QCC transactions is reasonable and, ultimately, will benefit all Participants trading on the Exchange by attracting Public Customer order flow.

The Exchange believes the proposed rebate for the originating side of a QCC transaction is reasonable, as other competing exchanges also provide a rebate on the originating side of a QCC order. Additionally, the proposed rebate amount is in line with the rebates offered at other competing exchanges.¹³ The Exchange believes the proposed rebate is equitable and not unfairly discriminatory because it potentially applies to all Participants that enter the originating order

¹¹ 15 U.S.C. 78f(b)(4) and (5).

¹² See CBOE Fee Schedule. CBOE charges non-Public Customers \$0.17 per contract and does not charge Public Customers. See also MIAX Fee Schedule. MIAX charges Non-Priority Customers \$0.15 per contract and does not charge Priority Customers. (Priority Customers on MIAX are the equivalent to Public Customers on BOX).

¹³ CBOE and MIAX offer a \$0.10 per contract credit or rebate paid on the initiating side of the QCC transaction.

(except for when both the agency order and contra-side orders are Public Customers) and because it is intended to incentivize the sending of more QCC Orders to the Exchange. The Exchange believes it is reasonable, equitable and not unfairly discriminatory to not provide a rebate for the originating order for QCC transactions when both the originating order and contra side orders are from Public Customers, since Public Customers are already incentivized by having no transaction fee for QCC Orders.

The Exchange believes that exempting QCC Orders from Section II (Liquidity Fees and Credits) is reasonable, equitable and not unfairly discriminatory. The Exchange's Liquidity Fees and Credits are intended to attract order flow to the Exchange by offering incentives to all market participants to submit orders to the Exchange and the Exchange believes that the proposed QCC fee structure will provide appropriate incentives to encourage Participants to submit QCC Orders to the Exchange. The Exchange believes that exempting QCC Orders from liquidity fees and credits is reasonable compared to similar fees and credits offered by another exchange.¹⁴ The Exchange believes that exempting QCC Orders from liquidity fees and credits is not unfairly discriminatory as the exemption from the liquidity fees and credits applies equally to all Participants on the Exchange.

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 this proposal will not cause unnecessary burden on intermarket competition because the proposed changes will actually enhance the competitiveness of the Exchange relative to other exchanges which offer comparable fees and rebates for QCC transactions. To the extent

¹⁴ CBOE does not apply Taker fees and Maker rebates to QCC orders. See CBOE Fee Schedule Footnote 44.

that the proposed changes make the Exchange a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become market participants on the Exchange.

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 Act¹⁵ and Rule 19b-4(f)(2) thereunder,¹⁶ 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:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2017-24 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-2017-24. 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-2017-24, 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.¹⁷

Eduardo A. Aleman
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).