

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82491; File No. SR-BOX-2018-01)

January 11, 2018

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend BOX Rule 3030 to Establish Rules Related to the Use of Floor Broker Error Accounts

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 January 2, 2018, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend BOX Rule 3030 to establish rules related to the use of Floor Broker error accounts. 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://boxoptions.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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend BOX Rule 3030 to establish rules related to the use of Floor Broker error accounts. First, the Exchange proposes that each Participant who conducts a business as a Floor Broker on the Exchange and who is not self-clearing must establish and maintain an account with a clearing Participant of the Exchange, for the sole purpose of carrying positions resulting from bona fide errors made in the course of its floor brokerage business.³ Further, with respect to Floor Brokers only, such an account for option transactions must be maintained with an entity that is also a member of the Options Clearing Corporation.

In practice, a Floor Broker will remedy a bona fide error by entering a subsequent trade on behalf of the customer on the correct terms of the original order. These types of transactions are transactions which broker-dealers place to remedy the execution of customer orders that have been placed in error or mishandled due to an error involving any term of an order, including but not limited to, for example, price, number of contracts, identification of security, or execution of

³ A "Bona fide Error" is defined as (i) the inaccurate conveyance or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market; (ii) the unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions; (iii) the incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or (iv) a delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order. See Securities Exchange Act Release No. 55884 (June 8, 2007), 72 FR 32926 (June 14, 2007) (Order Exempting Certain Error Correction Transactions from Rule 611 of Regulation NMS under the Securities Exchange Act of 1934).

a transaction on the wrong side of the market.

Next, the Exchange proposes that each Participant which conducts business as a Floor Broker must make available to the Exchange, upon request, accurate and complete records of all trades cleared in such Participant's error account. These records must include the following audit trail data elements: (1) name or identifying symbol of the security; (2) number of shares or quantity of security; (3) transaction price; (4) time of trade execution; (5) executing Floor Broker badge number, or alpha symbol as may be used from time to time, in regard to its side of the contract; (6) executing Floor Broker badge number, or alpha symbol as may be used from time to time, of the contra side to the contract; (7) clearing firm number, or alpha symbol as may be used from time to time, in regard to its side of the contract; (8) clearing firm number, or alpha symbol as may be used from time to time, in regard to the contra side of the contract; (9) designation of whether the account for which the order was executed was that of a Participant; (10) the nature and amount of the error; (11) the Participant that cleared the error trade on the Participant's behalf; (12) an explanation of the means by which the Participant resolved the error; (13) the aggregate amount of liability that the Participant incurred and: (i) had outstanding as of the time each such error trade entry was recorded or (ii) had cleared by other Participant. The Exchange believes that it is important for the Participant to provide the above information because it will aid the Exchange in the surveillance of error account activity. The Exchange notes that the proposed change is substantially similar to rules at another options exchange with an open outcry trading floor.⁴

2. Statutory Basis

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

⁴ See NYSE Arca, Inc. ("NYSE Arca") Rule 11.17.

6(b) of the Securities Exchange Act of 1934 (the “Act”),⁵ in general, and Section 6(b)(5) of the Act,⁶ 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. Additionally, the Exchange believes that the proposed rule is consistent with the Act because it does not unfairly discriminate between Public Customers, Professional Customers, Broker Dealers and Market Makers as the rule applies to all Participants equally. The Exchange believes that the proposal allows Floor Brokers the flexibility to execute orders that correct bona fide errors out of the Floor Broker’s error account, ensuring that customer orders (which were previously entered in error) are executed, thereby protecting investors and the public interest by ensuring that customer orders are executed properly. Further, the Exchange believes the proposed rule promotes just and equitable principles of trade by ensuring customer orders are not harmed for order entry errors. The Exchange does not believe the proposed rule is unfairly discriminatory toward customers, issuers, or brokers because the proposed rule simply sets forth the process for floor brokers to correct certain bona fide errors. As discussed above, the Exchange believes that the proposed change is appropriate as it is similar to rules in place at another options exchange with an open outcry trading floor.⁷

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ See supra note 4.

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. More specifically, the Exchange does not believe that the proposed rule change will impose any burden on intramarket competition because it will be applicable to all Floor Brokers. In addition, the Exchange does not believe that the proposed change will impose any burden on intermarket competition because proposed Rule 3030 simply provides a mechanism for correcting errors. Further, the Exchange believes that the proposed change does not impose a burden on competition because it simply sets forth the process for Floor Brokers to correct bone fide errors on the Trading Floor.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.⁸

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

⁸ 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.

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. Please include File Number SR-BOX-2018-01 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-2018-01. 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, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2018-01, 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.⁹

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Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).