

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82889; File No. SR-BOX-2018-09)

March 16, 2018

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Correct an Error in IM-7600-2

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 March 12, 2018, BOX Options Exchange LLC (“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 correct an inadvertent error in IM-7600-2. 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 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 amend IM-7600-2 to correct an inadvertent error that was [sic] subject of a prior rule filing. In August 2017, the Securities and Exchange Commission (“SEC”) approved BOX’s filing to establish rules for an open- outcry trading floor.³ The Exchange notes that it mistakenly referenced “Public Customers” rather than “Customers” in IM-7600-2(h) when establishing these rules.

Under IM-7600-2(h) a Floor Broker must deliver written notification prior to entering a tied hedge order on behalf of their client. The intent of the rule was to require Floor Brokers to provide notice to all clients when entering in a tied hedge order on their behalf; however, the term “Customer” was inadvertently changed to “Public Customer” in the drafting process. Under the BOX Rules, the term “Customer” means either a Public Customer or a broker-dealer,⁴ whereas the term “Public Customer” means a person that is not a broker or dealer in securities.⁵ As such, the rule as it is currently written does not require the Floor Broker to notify non-Public Customer clients prior to entering a tied hedge order on their behalf; which was not the intent of the rule. The Exchange believes it is reasonable and appropriate for all of a Floor Broker’s clients, regardless of Participant type, to receive written notice prior to the Floor Broker entering in a tied hedge order on their behalf as it will provide transparency to the client.

Therefore, the Exchange proposes to replace the term “Public Customer” with the term “Customer” in Rule IM-7600-2(h). The Exchange believes the term “Customer” is more

³ See Securities Exchange Release No. 81292 (August 2, 2017), 82 FR 37144 (August 8, 2017) (Order Approving SR-BOX-2016-48 as modified by Amendment Nos. 1 and 2).

⁴ See Rule 100(a)(17).

⁵ See Rule 100(a)(52).

appropriate as broker-dealers should not have been excluded from the requirements of Rule IM-7600-2(h) when it was initially adopted. Additionally, the proposed correction is similar to the language used in the rules of another options exchange.⁶

The Exchange notes that it is not proposing to amend any other part of the tied-hedge rule and the BOX rules already allow for Floor Brokers to submit tied hedge orders on behalf of broker dealers.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁷ in general, and Section 6(b)(5) of the Act,⁸ in particular, in that it is designed to protect investors and the public interest, promote just and equitable principles of trade, and foster cooperation and coordination with persons engaged in facilitating transactions in securities by correcting an inadvertent error that was made in the adoption of the rule. Specifically, the Exchange proposes to change the reference from “Public Customers” to “Customers” in Rule IM-7600-2(h). The Exchange believes the term “Customer” is more appropriate as broker-dealers should not have been excluded from the requirements of Rule IM-7600-2(h) when it was initially adopted. Further, the Exchange believes it is reasonable and appropriate for all of a Floor Broker’s clients, regardless of Participant type, to receive written notice prior to the Floor Broker entering in a tied hedge order on their behalf.

As noted above, the proposed correction is similar to the language used in the rules of another options exchange.

⁶ See NYSE Arca (“Arca”) Rule 6.47-O.01(h). The Exchange’s reading of Arca’s rule is that the term “customer” includes broker-dealers as well as Public Customers.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act as the proposed rule change is simply seeking to eliminate investor confusion with regard to the incorrect reference in Rule IM-7600-2(h). As such, 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.

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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁰

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹¹ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹² permits the Commission to 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

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission 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. The Exchange has satisfied this requirement.

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange notes that waiver of the operative delay would allow it to implement the proposal immediately and would require a Floor Broker to provide written notice to its non-Public Customer clients, as well as its Public Customer clients, prior to entering a tied hedge order on their behalf. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed rule change is designed to provide clarity and transparency to non-Public Customers regarding the usage of tied hedge orders by Floor Brokers and the Exchange's tied hedge order procedures. The Commission also notes that the proposed rule change does not change the Exchange's existing tied hedge rule that permits Floor Brokers to submit tied hedge orders on behalf of non-Public Customers. Rather, the proposed rule change would simply require Floor Brokers to provide the same type of notice to non-Public Customers as is currently required to be provided to Public Customers. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹³

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 change should be approved or disapproved.

IV. Solicitation of Comments

¹³ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2018-09 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-2018-09. 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 the 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-2018-09 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.¹⁴

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Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).