

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83317; File No. SR-BOX-2018-17)

May 24, 2018

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change to Amend Rules 7150 and 7245

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 14, 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 Rules 7150 and 7245. 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.

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

<sup>2</sup> 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 Exchange proposes to amend Rules 7150 (Price Improvement Period (“PIP”)) and 7245 (Complex Price Improvement Period (“COPIP”)) to provide additional information in the respective auction notifications. Specifically, the Exchange is proposing to provide the account type of the PIP Order<sup>3</sup> and COPIP Order<sup>4</sup> as part of the auction broadcast.<sup>5</sup>

The system commences a PIP and COPIP Auction by broadcasting a message via the High Speed Vendor Feed (“HSVF”).<sup>6</sup> Currently, the broadcast: (1) states that a Primary Improvement Order<sup>7</sup> has been processed; (2) contains information concerning series,<sup>8</sup> size, start price, and side of market; and (3) states when the auction will conclude. The Exchange is now proposing that, in addition to the above information, the broadcast will include the account type of the PIP and COPIP Order.<sup>9</sup> The Exchange notes that other option exchanges provide account type information for orders on their electronic book as part of their data feeds.<sup>10</sup>

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<sup>3</sup> A PIP Order is an order that is executed entirely via the Price Improvement Period (“PIP”). See Rule 7150(f).

<sup>4</sup> A COPIP Orders is a Complex Order that is executed via the Complex Order Price Improvement Period (“COPIP”). See Rule 7245(f).

<sup>5</sup> BOX has the following account types: Public Customer, Professional Customer, Broker Dealer, Market Maker and Away Market Maker. See RC-2014-05A for more details.

<sup>6</sup> See Rules 7150(f) and 7245(f).

<sup>7</sup> A Primary Improvement Order is a contra side order equal to the full size of the PIP or COPIP Order. See Rules 7150(f) and 7245(f).

<sup>8</sup> For a COPIP, the strategy identifier is broadcasted.

<sup>9</sup> See proposed changes to Rules 7150(f) and 7245(f).

<sup>10</sup> See Securities Exchange Act Release No. 74759 (April 17, 2015), 80 FR 22749 (Notice of Filing and Immediate Effectiveness SR-MIAX-2015-28). The MIAX Order Feed provides, among other things, the origin of each order for the entire order book to its users. The Exchange notes there are certain differences between the proposal and the

The HSVF provides data to enhance the ability of subscribers to analyze market conditions and to create and test trading models and analytical strategies. In response to Participant feedback, the Exchange is exploring the feasibility of adding information (i.e. account type) that market participants can use to gain comprehensive insight into the trading activity on the Exchange as well as additional transparency with regard to orders submitted to the Exchange. The Exchange is proposing to first include the account type of the PIP and COPIP Order into the PIP Broadcast because such a change can be implemented quickly.<sup>11</sup> The Exchange believes that providing the proposed information is important as it will provide additional transparency to market participants so they may have greater insight into the order flow on the Exchange.

The Exchange does not believe the proposed change will have a material impact on competition. Specifically, the Exchange does not believe that the proposed change will have a noticeable impact on competition or the level of responses during an auction. The Exchange believes that Participants will ultimately make a determination on whether to respond to the auction based on price, size, current quote and market conditions. The proposed information will

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MIAX Order Feed. Specifically, the Exchange is only proposing to provide the account type for PIP and COPIP Orders while MIAX provides the account type of each order for the entire order book, but not for auctions. The Exchange believes this is a minor difference because both exchanges are providing the same information (i.e., account type) with BOX providing it to a limited subset of orders where MIAX is not providing such information. Further, as expressed in the proposal, the Exchange does not believe that the proposed information will have a material impact on the participation during the PIP and COPIP auctions. Therefore, the Exchange believes it is reasonable and consistent with the Act to provide the proposed information for PIP and COPIP Orders. See also Securities Exchange Act Release No. 66993 (May 15, 2012), 77 FR 30043 (Notice of Filing and Immediate Effectiveness SR-PHLX-2012-63).

<sup>11</sup> The Exchange notes that including the account type of all orders on the BOX Book would take substantially longer to implement. The Exchange believes that providing the account type for PIP and COPIP Orders can be implemented in a short time frame and will allow the Exchange to assess whether such information would be beneficial in BOX's HSVF.

provide additional transparency to Participants; however, it should not materially affect participation during the auctions. As such, the Exchange believes the proposed change is not unfairly discriminatory.<sup>12</sup>

The Exchange anticipates implementing the proposed change during the third quarter of 2018, pending approval of this filing. The Exchange will provide at least two weeks notification to Participants of the exact implementation date via Circular.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>13</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>14</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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 believes the proposed rule change is designed to remove impediments to and perfect the mechanisms of a free and open market and a national market system by providing additional information and insight to Participants. Further, the Exchange believes that the proposed change will enhance Participants' ability to make more informed and timely trading decisions. Additionally, as set forth above, the Exchange believes that the proposed change is reasonable and appropriate as another options exchange disseminates account

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<sup>12</sup> The Exchange notes that PIP and COPIP Orders are entered into the system with a contra-side order guaranteeing the full size of the PIP or COPIP Order. Therefore, the PIP and COPIP Order is fully guaranteed and will always receive a full execution once submitted to the system.

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

type information on orders.<sup>15</sup>

The Exchange believes the proposed change is not unfairly discriminatory because the proposed information will be available to all subscribers of the HSVF. As such, the Exchange does not believe the proposed change will have an adverse impact on any market participant. Additionally, as explained above, the Exchange does not believe the proposed change will have a material impact on competition during the auctions.

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

This proposed change will give market participants greater information on which to base their trading strategies. 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. As discussed above, other option exchanges include account type information in their data feeds. Additionally, the Exchange does not believe that the proposed change will have a material impact on competition during the auction.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be

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<sup>15</sup> See supra note 10.

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-2018-17 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-2018-17. 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-2018-17, 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>16</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).