

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84340; File No. SR-BOX-2018-30)

October 2, 2018

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend BOX Rule 7600(a)(4) (Qualified Open Outcry Orders – Floor Crossing)

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 September 20, 2018, BOX 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 7600(a)(4) (Qualified Open Outcry Orders – Floor Crossing). 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Rule 7600(a)(4) to provide the ability for the Exchange to determine the applicable number of legs for a Complex Qualified Open Outcry Orders (“Complex QOO Order”).³ Currently, Complex QOO Orders are limited to a maximum of four (4) legs on the BOX Trading Floor. The Exchange proposes to have the applicable number of legs now be determined by the Exchange.⁴ The Exchange notes that only orders that meet the definition of a Complex Order⁵ are allowed to trade on the BOX Trading Floor.⁶ Any orders that are entered into the system as a Complex Order on the BOX Trading Floor that do not meet the definition of a Complex Order will be rejected.

The Exchange will inform Participants in advance of any change to the number of legs via Informational Circular. The Exchange notes that another exchange in the industry has similar rules in place which provide flexibility in determining the maximum number of legs for complex

³ A QOO Order is a two-sided order that is used by Floor Brokers to execute transactions from the Trading Floor. See Rule 7600.

⁴ The Exchange notes that the number of legs determined by the Exchange will apply to all classes. The Exchange also notes that the proposal discussed herein is not making any changes to the priority rules for Complex Orders.

⁵ The term “Complex Order” means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. See BOX Rule 7240(a)(7).

⁶ On the Trading Floor, a Floor Broker or such Floor Broker’s employee shall, contemporaneously upon receipt of an order, and prior to announcement of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the Floor Broker’s order entry mechanism. See Rule 7580(e)(1).

orders at their respective exchange.⁷

The Exchange also proposes to correct the location of a misplaced comma in Rule 7600(a)(4). Rule 7600(a)(4), as amended, will make clear that the cross reference to Rule 7240(a)(5) applies to Complex QOO Orders and not multi-leg orders. The Exchange believes that this correction will add clarity with regard to Complex QOO Orders traded on the BOX Trading Floor.

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”),⁸ in general, and Section 6(b)(5) of the Act,⁹ 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.

⁷ See Cboe Exchange Inc. (“Cboe”) Rule 6.53.02. Cboe’s rule states that “[c]omplex orders of twelve (12) or less must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), complex orders of more than twelve (12) legs may be split across multiple order tickets...” BOX believes that this is similar to the proposal discussed herein. BOX’s reading of Cboe’s rule suggests that Cboe may determine the applicable number of legs for complex orders on their respective trading floor. As such, the Exchange believes that the proposed change is similar to the Cboe rule cited above. BOX does note, however, that [sic] is not proposing a twelve leg maximum but rather that the Exchange be responsible for determining the applicable number of legs for Complex Orders on the BOX Trading Floor. Further, the Exchange will communicate to Participants in advance of any change to the applicable number of legs via Informational Circular. See also EDGX Exchange, Inc (“EDGX”) Rule 21.20(a)(5) The Exchange notes that EDGX is an electronic exchange and as such, its rules apply to electronic trading only.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

In particular, the Exchange believes the proposed rule change, which provides the Exchange with greater flexibility in determining the maximum number of legs for Complex QOO Orders, will benefit Floor Brokers and their customers by providing the potential for increased opportunities for executions on the BOX Trading Floor. Further, the Exchange believes that the proposed change will provide the potential for greater liquidity which should, in turn, benefit and protect investors and the public interest through the potential for greater volume of orders and executions on the BOX Trading Floor. As discussed above, the Exchange notes that another exchange has a similar rule which allows for the maximum number of legs for complex orders to be determined by the exchange.¹⁰

Lastly, the Exchange believes that the proposed change to correct the inadvertent error in Rule 7600(a)(4) is reasonable as it will provide clarity with respect to QOO Orders 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. In this regard and as indicated above, the Exchange notes that the proposed rule change is similar to the rules of another exchange.¹¹ The Exchange does not believe the proposal will impose any burden on intermarket competition, as the proposed rule will allow BOX to compete with other options exchanges in the industry. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality. Lastly, the Exchange believes that the proposed change will not impose a burden on intramarket competition as the proposal will apply to all Participants that wish to submit

¹⁰ See supra, note 7.

¹¹ Id.

Complex Orders on the BOX 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 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 Act¹² and Rule 19b-4(f)(6) thereunder.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 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:

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 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.

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-2018-30 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-2018-30. 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-2018-30, 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

Eduardo A. Aleman
Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).