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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84814; File No. SR-BOX-2018-36]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Options Market LLC ("BOX") Facility to Establish Separate Fees and Credits on PIP and COPIP Transactions for SPY Options

December 13, 2018

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 November 30, 2018, BOX 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

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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).

The Exchange is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule on the BOX Market LLC ("BOX") options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on December 1, 2018. 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.

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 Section I.B, PIP and COPIP Transactions and Section III, Liquidity Fees and Credits of the BOX Fee Schedule. Specifically, the Exchange proposes to establish separate fees and credits on PIP and COPIP Transactions for options overlying the Standard and Poor's Depositary Receipts Trust ("SPY").[5]

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5 Options overlying Standard and Poor's Depositary Receipts/SPDRs ("SPY") are based on the SPDR exchange-traded fund ("ETF"), which is designed to track the performance of the S&P 500 Index.

First, the Exchange proposes to establish PIP and COPIP Transaction[6] fees for options overlying SPY. Specifically, the Exchange proposes a $0.05 fee for Professional Customers, Broker Dealers and Market Makers for SPY PIP or COPIP Orders. Public Customers will not be charged for SPY PIP or COPIP Orders. The Exchange notes that the proposed SPY fees are identical to the current PIP and COPIP Order fees. For SPY Improvement Orders, the Exchange proposes a $0.05 fee for all account types. For SPY Primary Improvement Orders, the Exchange proposes to establish a flat per contract execution fee of $0.02.

The Exchange notes that all SPY transactions executed through the PIP and COPIP auction mechanisms will be included in the calculation of Customer Volume in Multiply Listed Options Classes for purposes of the Primary Improvement Order tiered execution fee and BOX Volume Rebate in Section I.B of the BOX Fee Schedule. However, the tiered execution fee and rebates defined in Section I.B will not apply to executions in SPY. The Exchange believes that the proposed fees discussed above are reasonable as they are similar to another options exchange.[7]

Lastly, the Exchange proposes to establish liquidity fees and credits for SPY executions in the PIP or COPIP auction mechanisms. Currently, in Section III.A of the Fee Schedule, a

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6 Transactions executed through Price Improvement Period ("PIP") and the Complex Order Price Improvement Period ("COPIP") auction mechanisms. All COPIP transactions will be charged per contract per leg.

7 See Nasdaq Phlx LLC ("Phlx") Pricing Schedule Section 3, Part C. Phlx assesses a $0.05 per contract fee for all PIXL Initiating Orders in SPY (PIXL is Phlx's price improvement mechanism similar to BOX's PIP mechanism). Further, Phlx assesses a $0.38 per contract fee to non-Customers when their PIXL Order is contra to an Initiating Order; unless the PIXL Order is a Public Customer, in which case the fee is $0.00 per contract. Next, the Exchange believes the $0.02 per contract Primary Improvement Order fee for SPY executions is reasonable when compared to Phlx's fees for similar transactions. The Exchange also notes the proposed SPY PIP and COPIP Order Fees are identical to the PIP and COPIP Order Fees that currently apply to all options. The Exchange is simply carving out a separate section for all SPY PIP and COPIP transactions.

Public Customer PIP or COPIP Order receives a "removal" credit while the corresponding Primary Improvement Order and any Improvement Order are charged an "add" fee. The Exchange proposes a $0.45 fee for all SPY PIP and COPIP transactions that add liquidity and a $0.45 credit for all SPY COPIP and PIP transactions that remove liquidity.

Further, under the BOX Fee schedule, when Non-Public Customer PIP or COPIP orders do not trade with its Primary Improvement Order, the Primary Improvement Order receives a "removal" credit and any corresponding Improvement Order responses are charged an "add" fee. For these types of executions the Exchange proposes a $0.45 fee for all SPY PIP and COPIP transactions that add liquidity and a $0.45 credit for all SPY PIP and COPIP transactions that remove liquidity. The Exchange notes that the proposed fees and credits are similar to fees at another options exchange.[8] Lastly, the Exchange notes that it is updating the footnotes throughout the Fee Schedule to accommodate the addition of new footnotes related to the changes discussed above.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5)of the Act,[9] 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

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8 See Phlx Pricing Schedule, Section 3, Part A. The Exchange notes that Phlx offers rebates ranging from $0.15 to $0.35 to Specialists and Market Makers for adding liquidity in SPY. Further, Phlx assesses a $0.48 fee for Market Makers, Broker Dealers and Professionals and a $0.45 fee for Public Customers for removing liquidity in SPY. As discussed herein, the Exchange proposes to assess fees for adding liquidity in SPY and offer credits for removing liquidity in SPY. The Exchange believes this is reasonable as the proposed change mirrors the structure of the liquidity fees and credits currently in place in the BOX Fee Schedule for PIP and COPIP transactions.

9 15 U.S.C. 78f(b)(4) and (5).

customers, issuers, brokers or dealers.

The Exchange's proposal to adopt new pricing for PIP and COPIP SPY executions is reasonable, equitable, and not unfairly discriminatory because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes.[10] The Exchange notes that another options exchange has a similar pricing structure for SPY in their respective price improvement mechanism.[11]

The Exchange believes that the proposed fees for SPY PIP and COPIP Orders are reasonable, equitable and not unfairly discriminatory. As noted above, these fees are identical to the current PIP and COPIP Order fees assessed on the Exchange.

The Exchange believes that the proposed SPY Improvement Order fees are equitable and not unfairly discriminatory as the decreased fees will encourage market participants to take advantage of the new pricing structure and respond to more SPY PIP and COPIP Orders. The Exchange believes it is reasonable to assess lower fees to transact SPY Improvement Orders (compared to Penny and Non-Penny Improvement Orders) because the Exchange seeks to incentivize market participants to transact a greater number of SPY option transactions in the PIP or COPIP mechanisms.

The Exchange's proposal to assess a flat fee for SPY Primary Improvement Orders is reasonable, equitable and not unfairly discriminatory. Specifically, the Exchange is proposing a flat $0.02 per contract fee which is the same as the highest volume tier for all other Primary

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10 The Exchange is proposing to decrease the fees for SPY Improvement Orders, which are responses in the PIP and COPIP mechanisms, to $0.05 for all types of Participants; as well as assess a flat $0.02 fee for SPY Primary Improvement Orders. The Exchange believes these decreased fees are reasonable and will result in increased SPY order flow to BOX's auction mechanisms.

11 See supra note 7.

Improvement Orders.[12] The Exchange believes that the proposed fee will encourage Participants to submit Primary Improvement Orders to the Exchange, thus increasing order flow to BOX's auction mechanisms and benefitting all market participants.

Further, the Exchange believes exempting SPY COPIP and PIP Orders from the BVR is reasonable, equitable and not unfairly discriminatory. The Exchange notes that the BVR is meant to incentivize order flow, which the Exchange believes is already achieved by assessing lower fees for SPY PIP and COPIP Orders.

The Exchange believes including SPY transactions in the Customer Volume in Multiply Listed Options Classes for purposes of the Primary Improvement Order tiered execution fee and BOX Volume Rebate is reasonable as it will allow market participants to benefit from SPY PIP and COPIP volume in terms of qualifying for these volume based thresholds in Section I.B.1 of the Fee Schedule. Lastly, the Exchange believes the proposed change is equitable and not unfairly discriminatory because the Exchange includes the SPY PIP and COPIP transaction volume regardless of account type.

The Exchange believes that the proposed changes to Section III (Liquidity Fees and Credits) are equitable and not unfairly discriminatory in that the fees and credits apply to all categories of participants and across all account types. The Exchange notes that liquidity fees and credits on BOX are meant to offset one another in any particular transaction. The liquidity fees and credits do not directly result in revenue to BOX, but simply allows BOX to provide

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12 The Exchange notes that under the volume base tiered fee structure for Primary Improvement Orders, a majority of BOX Participants reach the highest tier and are assessed the $0.02 fee for their Primary Improvement Orders. Further, Improvement Orders are assessed $0.12 for Professional Customers and Broker Dealers and Market Makers and $0.15 for Public Customers. Under this proposal, SPY Primary Improvement Orders will be assessed the $0.02 flat fee and the SPY Improvement Order will be charged $0.05 (regardless of account type), a substantially less differential than what is currently assessed today for SPY transactions.

incentives to Participants to attract order flow. The Exchange also believes the proposed liquidity fees and credits for SPY PIP and COPIP transactions are reasonable as they mirror the structure of liquidity fees and credits currently in place for PIP and COPIP transactions on BOX. Further, the Exchange notes that Phlx assesses fees and offers rebates for removing or adding liquidity in SPY.[13]

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 that the proposed pricing for SPY options in PIP and COPIP transactions promotes competition in this highly liquid option. The Exchange does not believe that the proposed changes will burden competition by creating a disparity between the fees an Initiating Participant in the PIP or COPIP auction pays and the fees a competitive responder pays that would result in certain Participants being unable to compete with initiators. In fact, the Exchange believes that these changes will not impair these Participants from adding liquidity and competing in the auction mechanisms and will help promote competition by providing incentives for market participants to submit SPY PIP or COPIP order flow to BOX and thus, create a greater opportunity for customers to receive additional price improvement.

Further, the Exchange believes that the proposed liquidity fees and credits for SPY PIP and COPIP transactions will not impose a burden on competition. Rather, BOX believes that the changes will result in Participants being charged or credited appropriately for their PIP and COPIP transactions and is designed to enhance competition in Auction transactions on BOX. Submitting an

13 See supra note 8.

order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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 Act[14] and Rule 19b-4(f)(2) thereunder,[15] 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

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14 15 U.S.C. 78s(b)(3)(A)(ii).

15 17 CFR 240.19b-4(f)(2).

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-2018-36 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-2018-36. 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.

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-2018-36, 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.[16]

Eduardo A. Aleman,

Deputy Secretary.

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[16] 17 CFR 200.30-3(a)(12).

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