



**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-98385; File No. SR-BOX-2023-23]**

**Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule for Trading on the BOX Options Market LLC Facility to Amend Certain Qualification Thresholds of Section IV.A.1 (Tiered Volume Rebate for Non-Auction Transactions)**

September 14, 2023

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 1, 2023, BOX Exchange LLC (“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,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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 Substance of the Proposed Rule Change

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 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 to amend certain qualification thresholds of Section IV.A.1, (Tiered Volume Rebate for Non-Auction Transactions) on the BOX Options Market LLC (“BOX”) options facility. 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 the Fee Schedule for trading on BOX to amend certain qualification thresholds of Section IV.A.1, (Tiered Volume Rebate for Non-Auction Transactions).

Currently, Public Customers<sup>5</sup> receive a per contract rebate for Electronic Non-Auction Transactions according to the Tier achieved by the Public Customer as provided in the Percentage Thresholds of National Customer Volume in Multiply-Listed Options

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<sup>5</sup> The Exchange notes that Public Customers do not initiate transactions on BOX directly. BOX Participants initiate electronic Non-Auction Transactions on behalf of Public Customers and these BOX Participants are assessed fees or provided rebates by the Exchange for such transactions.

Classes table in Section IV.A.1 of the BOX Fee Schedule. Percentage thresholds are calculated on a monthly basis by totaling the Public Customer's executed Auction and Non-Auction transaction volume on BOX, relative to the total national Customer volume in multiply-listed options classes.

The Exchange notes that Non-Auction Transactions where a Public Customer order interacts with another Public Customer order are exempt from a per contract rebate. However, these transactions still count toward the Public Customer's monthly volume on BOX. The current thresholds and rebates are as follows:

		Per Contract Rebate					
		<i>Penny Interval Classes</i>		<i>Non-Penny Interval Classes</i>		<i>SPY</i>	
Tier	Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes (Monthly)	Maker	Taker	Maker	Taker	Maker	Taker
1	0.000% - 0.129%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2	0.130% - 0.339%	(\$0.05)	(\$0.15)	(\$0.15)	(\$0.27)	(\$0.05)	\$0.00
3	0.340% - 0.549%	(\$0.10)	(\$0.20)	(\$0.30)	(\$0.32)	(\$0.10)	\$0.00
4	0.550% and Above	(\$0.27)	(\$0.27)	(\$0.60)	(\$0.40)	(\$0.27)	\$0.00

The Exchange now proposes to raise the percentage thresholds within the Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes table. The proposed rebate structure is as follows:

		Per Contract Rebate					
		<i>Penny Interval Classes</i>		<i>Non-Penny Interval Classes</i>		<i>SPY</i>	
Tier	Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes (Monthly)	Maker	Taker	Maker	Taker	Maker	Taker
1	0.000% - 0.249%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2	0.250% - 0.499%	(\$0.05)	(\$0.15)	(\$0.15)	(\$0.27)	(\$0.05)	\$0.00
3	0.500% - 0.749%	(\$0.10)	(\$0.20)	(\$0.30)	(\$0.32)	(\$0.10)	\$0.00
4	0.750% and Above	(\$0.27)	(\$0.27)	(\$0.60)	(\$0.40)	(\$0.27)	\$0.00

The Exchange notes that the percentage thresholds in Tiers 1 through 4 will be adjusted, however the rebate amounts will not change. For example, the Tier 2 rebates remain at \$0.05 for Makers in Penny Interval Classes and \$0.15 for Takers in Penny Interval Classes, but will require 0.250% - 0.499% of national customer volume in multiply-listed options classes for Public Customers to qualify for the rebate. Similarly, the Tier 3 rebates remain at \$0.10 for Makers in Penny Interval Classes and \$0.20 for Takers in Penny Interval Classes, and the Tier 4 rebates in Penny Interval Classes remain at \$0.27 but the thresholds required to qualify for those rebates will be 0.500% - 0.749% and 0.750% and above of national customer volume in multiply-listed options classes, respectively.

Although, the new volume thresholds will require greater volumes to qualify for such rebates, the Exchange believes that Public Customers will still benefit from the opportunity to

obtain a rebate for their transactions.<sup>6</sup> The Exchange recently reviewed its Tiered Volume Rebate structure for Non-Auction Transactions and determined that raising the percentage thresholds is appropriate at this time. The Exchange has not modified these volume thresholds since November of 2015<sup>7</sup> and the current rebate amounts have been in place since June of 2018.<sup>8</sup> Further, the Exchange believes that the proposed volume tiers remain competitive with other exchanges<sup>9</sup> and notes that Public Customers may receive a rebate and will continue to pay no fees for Electronic Non-Auction transactions on BOX.

## 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,<sup>10</sup> 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 customers, issuers, brokers or dealers.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to adjust certain percentage thresholds in the volume-based thresholds for Public Customers in Electronic Non-Auction Transactions. The volume-based thresholds and applicable rebates are designed to incentivize Public Customers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing

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<sup>6</sup> The Exchange notes that BOX Participants collect rebates on behalf of Public Customers and have independent fee arrangements with such Public Customers by which rebates provided by BOX would be taken into account.

<sup>7</sup> See Securities Exchange Act Release No. 76447 (November 16, 2015), 80 FR 72758 (November 20, 2015) (SR-BOX-2015-36).

<sup>8</sup> See Securities Exchange Act Release No. 83396 (June 8, 2018), 83 FR 27807 (June 14, 2018) (SR-BOX-2018-21).

<sup>9</sup> See *infra* note 11.

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

liquidity on the Exchange. While the Exchange proposes to increase the volume thresholds, thus requiring greater volumes to qualify for rebates, the Exchange believes that Public Customers will still benefit from the opportunity to obtain a rebate. The Exchange notes that other exchanges employ similar incentive programs; and the Exchange believes that the proposed changes to the volume based rebate thresholds are reasonable and competitive when compared to incentive structures at other exchanges.<sup>11</sup> In particular, Nasdaq PHLX's Customer Rebate Program has five tiers where Tier 1 is 0.00% - 0.60% and Tier 5 is above 2.50% of national customer volume in multiply-listed equity and Exchange-Traded Fund ("ETF") options with rebates that range from \$0.00 to \$0.21.<sup>12</sup> Additionally, CBOE's Volume Incentive Program has five tiers where Tier 1 is 0% - 0.75% and Tier 5 is above 4.00% of national customer volume in all underlying symbols excluding certain index symbols, Nanos, and FLEX Micros with rebates that range from \$0.00 to \$0.15.<sup>13</sup> The Exchange is proposing four tiers where Tier 1 is 0.000% - 0.249% and Tier 4 is 0.750% and above with rebates that range from \$0.00 to \$0.27 for Penny Interval Classes. Thus, the Exchange believes that comparable rebates can still be attained on BOX, under the Exchange's proposed thresholds, at lower volumes than on CBOE or Nasdaq PHLX.

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<sup>11</sup> See Nasdaq PHLX LLC ("Nasdaq PHLX") Options 7, Section 2 (Customer Rebate Program) and Cboe Exchange, Inc. ("CBOE") Fee Schedule (Volume Incentive Program). The Exchange notes that these programs use different tier structures, volume calculations, and rebate amounts, however, their rebate programs operate similarly to BOX's.

<sup>12</sup> These rebates are referred to in Nasdaq PHLX Options 7, Section 2 as Category A rebates. The Exchange believes that Category A rebates and the volume used to determine which tiers are attained are comparable to BOX's Tiered Volume Rebate for Non-Auction Transactions (Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes) with the exception that Nasdaq PHLX excludes volume associated with electronic QCC Orders. The Exchange also notes that SPY is rebated under Nasdaq PHLX Options 7, Section 3.

<sup>13</sup> These rebates are for simple, Non-AIM transactions in the CBOE Fee Schedule, VIP. The Exchange believes that simple, Non-AIM transactions and the volume used to determine which tiers are attained are comparable to BOX's Tiered Volume Rebate for Non-Auction Transactions (Percentage Thresholds of National Customer Volume in Multiply-Listed Options Classes).

The proposed changes to the thresholds in Tiers 1 through 4 are equitable and not unfairly discriminatory as they are available to all BOX Participants that initiate electronic Non-Auction Transactions on the behalf of Public Customers, and Participants may choose whether or not to take advantage of the percentage thresholds and their applicable rebates on BOX.

The Exchange continues to believe it is equitable and not unfairly discriminatory to have these rebate structures for Public Customers in Electronic Non-Auction Transactions. The securities markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for Public Customer benefit. Accordingly, the Exchange believes that providing a rebate structure for Public Customers is appropriate and not unfairly discriminatory. Based on its review of competitor exchanges, the Exchange believes that the proposed rebate thresholds, although more difficult to obtain, will not disincentivize BOX Participants from sending Public Customer order flow to BOX. Rather, the Exchange believes that the proposed rebates will continue to help attract a high level of Public Customer order flow to the BOX Book and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

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 amending the proposed rebate structure for Public Customer Electronic Non-Auction Transactions will not impose a burden on competition among various Participants. The Exchange believes that the proposed changes will result in Public Customers being rebated appropriately for these transactions. 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. Because competitors are free to modify their own fees and rebates in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee or rebate changes in this market may impose any burden on competition is extremely limited. The Exchange notes that other exchanges provide programs to incentivize customer order flow and that the proposed changes to the volume thresholds remain competitive when compared to incentive structures at other exchanges.<sup>14</sup> 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<sup>15</sup> and Rule 19b-4(f)(2) thereunder,<sup>16</sup> 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

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<sup>14</sup> See *supra* note 11.

<sup>15</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>16</sup> 17 CFR 240.19b-4(f)(2).

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-BOX-2023-23 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-2023-23. This file number should be included on the subject line if email 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

(<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-BOX-2023-23 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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