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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-71701; File No. SR-BOX-2014-11]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Market LLC Options Facility

March 12, 2014.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the "Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 4, 2014, BOX Options Exchange LLC (the "Exchange") filed with the Securities and Exchange Commission (the "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 Substance of the Proposed Rule Change

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. 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.

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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).

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, Proposed Rule Change

1. Purpose

The Exchange proposes to amend the Fee Schedule for trading on BOX. In particular, the Exchange proposes to amend certain Exchange Fees for Market Makers and adjust the Tiered Auction Transaction Fees for Initiating Participants based upon monthly average daily volume (ADV) as set forth in Section I of the Fee Schedule. Additionally, the Exchange proposes to introduce a tiered rebate in Section I, the BOX Volume Rebate ("BVR") for all PIP Orders and COPIP Orders of 250 contracts and under.

In Section I., Exchange Fees, the Exchange proposes to adopt a flat $0.30 fee for all Market Maker Improvement Orders in the PIP or COPIP, as well as Market Maker responses in the Solicitation or Facilitation auction mechanisms.

In Section I.A., Auction Transaction Tiered Fee Schedule for Initiating Participant[5] based upon Monthly Average Daily Volume ("ADV") in Auction Transactions, the Exchange gives volume incentives for auction transactions to Initiating Participants that, on a daily basis, trade an

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[5] An Initiating Participant is a BOX Options Participant (an Order Flow Provider or Market Maker) that executes agency orders by designating Customer Orders for price improvement and submission to the PIP or COPIP.

average daily volume, as calculated at the end of the month, of more than 5,000 contracts on BOX. The Exchange proposes to now base these volumes on the quantity of Primary Improvement Order, Facilitation Order and Solicitation Order contracts submitted by the particular Initiating Participant to the Exchange rather than traded. Under the current Section I.A. an Initiating Participant that submits a Primary Improvement Order[6] will only qualify for the tier based on the amount of those contracts that execute. The proposal will now allow this same Initiating Participant to include all the Primary Improvement Order contracts submitted in qualifying for the volume tier.

For example, an Initiating Participant who submits a Customer Order of 100 contracts to the PIP or COPIP for potential price improvement will also submit a matching 100 contract Primary Improvement Order to guarantee the execution. At the end of the PIP or COPIP auction, the Initiating Participant's Primary Improvement Order retains allocation priority on forty percent (40%)[7] of the Order (or 40 contracts) and then receives additional allocation after all other orders have been filled at the final price level. Today the volume tiers are based on the final allocation the Initiating Participant receives at the end of the auction (40 contracts plus the additional allocation). Under the proposed change the volume tiers will be based on the amount submitted by the Initiating Participant in the Primary Improvement Order; in this example 100 contracts.

The quantity submitted will still be calculated at the end of each month. Additionally, with this change the Exchange proposes to adjust the volume tiers and contract fees associated

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6 A Primary Improvement Order is a matching contra order submitted to the PIP or COPIP on the opposite side of the agency order.

7 If there is only one competing order the Initiating Participant's allocation priority is raised to fifty percent (50%).

with each tier. The new per contract fee for Initiating Participants in Auction Transactions set forth in Section I.A. of the BOX Fee Schedule will be as follows:

Initiating Participant Monthly ADV in Auction Transactions	Per Contract Fee (All Account Types)
100,001 contracts and greater	$0.03
40,001 contracts to 100,000 contracts	$0.07
20,001 contracts to 40,000 contracts	$0.12
10,001 contracts to 20,000 contracts	$0.20
1 contract to 10,000 contracts	$0.25

Finally, the Exchange proposes to introduce a tiered per contract rebate in Section I.D., the ("BOX Volume Rebate" or "BVR"), for all PIP Orders and COPIP Orders[8] of 250 contracts and under. Each Participant's monthly ADV will be based on PIP and COPIP quantity submitted, including those in Jumbo SPY Options, and will be calculated at the end of each month.[9] All PIP and COPIP executions by the Participant for the month will be awarded the same per contract rebate according to the Participant's monthly ADV in PIP and COPIP transactions submitted to the Exchange.

The new per contract rebate for Participants in PIP and COPIP Transactions set forth in Section I.D. of the BOX Fee Schedule will be as follows:

Monthly ADV in PIP and COPIP Transactions	Per Contract Rebate (All Account Types)	
	PIP	*COPIP*
100,001 contracts and greater	($0.17)	($0.08)
40,001 contracts to 100,000 contracts	($0.14)	($0.06)
20,001 contracts to 40,000 contracts	($0.07)	($0.04)
1 contract to 20,000 contracts	($0.00)	($0.00)

8 PIP Orders and COPIP Orders are defined as Customer Orders designated to the PIP or COPIP. As such only Customer Orders will be eligible for the rebate.

9 For purposes of calculating monthly ADV, BOX will count as a half day any day that the market closes early for a holiday observance.

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,[10] 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 that establishing a flat $0.30 fee for all Market Maker Improvement Orders in the PIP or COPIP as well as Market Maker responses in the Solicitation or Facilitation auction mechanisms is reasonable, equitable and not unfairly discriminatory. While the proposal will potentially raise the Market Maker fee for auction responses, this will result in most Market Makers being assessed a lower fee than what they are currently assessed under the Section I.B tiered fee schedule. Further, the proposed fee is designed to be comparable to the fees that would be charged at competing venues.[11] Finally, the Exchange believes that charging Market Makers a flat fee for Improvement Orders in the PIP or COPIP and responses in the Solicitation or Facilitation auction mechanism is not unfairly discriminatory. Today Market Makers are assessed a fee based on their trading volume; under the proposal the fee will apply to all Market Makers equally.

The Exchange believes it is equitable and not unfairly discriminatory that Market Makers are charged lower fees in Improvement Orders in the PIP or COPIP and Solicitation or Facilitation responses than Professionals and Broker-Dealers. Generally, Market Makers have

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10 15 U.S.C. 78f(b)(4) and (5).

11 See Section IV of the Phlx Pricing Schedule entitled "PIXL Pricing". Phlx assesses all auction Responders $0.30 per contract in Penny Pilot Options and $0.38 per contract in non-Penny Pilot Options, unless the Responder is a Customer, in which case the fee is $0.00 per contract.

obligations on BOX that other Participants do not. They must maintain active two-sided markets in the classes in which they are appointed, and must meet certain minimum quoting requirements. Market Makers also provide significant contributions to overall market quality. Specifically, Market Makers can provide high volumes of liquidity and lowering their transaction fees will help attract a higher level of Market Maker order flow and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX. The Exchange also believes it is equitable and not unfairly discriminatory for Market Makers to be charged a higher fee than Public Customers. 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 customer benefit.

Secondly, the Exchange believes its proposed amendments to the tiered fee structure for Initiating Participants in auction transactions are reasonable, equitable and not unfairly discriminatory. The reduced fees related to trading activity in BOX Auction Transactions are available to all BOX Options Participants that initiate Auction Transactions, and they may choose whether or not to trade on BOX to take advantage of the discounted fees for doing so. The Exchange believes it is fair and reasonable to base these volume tiers on the quantity of auction transactions submitted to the Exchange rather than the quantity traded, as Initiating Participants do not control whether an order they submit is executed or not. This proposal will allow Initiating Participants to fully control the volume tier for which they qualify. With this change, the Exchange also believes adjusting the volume tiers and contract fees associated with each tier is reasonable as Participants benefit from the opportunity to more easily attain a discounted fee tier.

The Exchange believes it is appropriate to provide an incentive to BOX Participants to submit their customer orders to BOX, particularly into the PIP for potential price improvement. Such a discount will limit the exposure Initiating Participants have to Section II fees, where they are charged a fee for adding liquidity should their principal order execute against the customer order in any BOX Auction Transaction. The Exchange believes that making these changes to the tiered fee structure will attract more order flow to BOX, providing greater potential liquidity within the overall BOX market and its auction mechanisms, to the benefit of all BOX market participants.

Finally, the Exchange believes the adoption of a tiered per contract auction transaction rebate in Section I.D. for all PIP Orders and COPIP Orders of 250 contracts and under is reasonable, equitable and non-discriminatory. In particular, the proposed BVR will allow the Exchange to be competitive with other exchanges and to apply fees and credits in a manner that is equitable among all BOX Participants.[12] The Exchange operates within a highly competitive market in which market participants can readily direct order flow to any other competing exchange if they determine fees at a particular exchange to be excessive. The proposed BVR is intended to attract Public Customer order flow to the Exchange by offering these Participants incentives to submit their PIP and COPIP Orders to the Exchange. The Exchange believes it is appropriate to provide incentives for Public Customers, which will result in greater liquidity and ultimately benefit all Participants trading on the Exchange. The Exchange believes providing a

[12] See Section A of the Phlx Pricing Schedule entitled “Customer Rebate Program” and CBOE’s Volume Incentive Program (VIP). CBOE’s Volume Incentive Program (“VIP”) pays certain tiered rebates to Trading Permit Holders for electronically executed multiply-listed option orders which include AIM orders. Note that these exchanges base these rebate programs on the percentage of total national Public Customer volume traded on their respective exchanges, which the Exchange is not proposing to do.

rebate to Participants that reach a certain volume threshold is equitable and non-discriminatory as the rebate will apply to all Participants uniformly.

Additionally, the Exchange believes that the proposed volume thresholds are reasonable because they incentivize Participants to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange. Further, other exchanges employ incentive programs.[13] The Exchange believes that its proposed volume threshold and rebate is competitive when compared to rebate structures at other exchanges.

The Exchange also believes it is reasonable, equitable and non-discriminatory to restrict the BVR to PIP and COPIP Orders of 250 contracts and under. The rebate is intended to incentivize Participants to direct Customer order flow to the Exchange, which is typically comprised of small order sizes. Large institutional orders of more than 250 contracts are encouraged to use the Facilitation and Solicitation Auction mechanisms.[14] The Exchange believes restricting the BVR to PIP and COPIP Orders of 250 contracts and under is equitable and non-discriminatory as this will apply to all Participants uniformly.

The Exchange believes that the proposed rebates are reasonable. Once the volume threshold is met, the Exchange will pay the rebates on applicable PIP and COPIP Orders. The Exchange also believes the proposed BVR is equitable and not unfairly discriminatory because Participants are eligible to receive a rebate provided they meet both the volume and order type requirements. The Exchange believes that applying the rebate to PIP and COPIP Orders provides

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13 Id.

14 The Facilitation Auction and Solicitation Auction were designed to give market participants mechanisms for large block orders. See Securities Exchange Act Release No. 65387 (September 23, 2011), 76 FR 60569 (September 29, 2011)(Order Approving Proposed Rule Change of SR-BX-2011-034).

these Participants with an added incentive to transact a greater number of Public Customer Orders on the Exchange to the benefit of all market participants.

The Exchange believes that incentivizing Participants to submit PIP and COPIP Orders to the Exchange will provide all market participants an opportunity to interact with that order flow. The Exchange believes that it is reasonable to only apply the rebate to certain order types because the Exchange is not seeking to incentivize Participants to transact in order types other than PIP and COPIP Orders at this time. Further, PIP and COPIP Orders bring unique benefits to the marketplace in terms of liquidity and order interaction. It is an important Exchange function to provide an opportunity to all market participants to trade against these PIP and COPIP Orders.

Finally, the Exchange believes that it is equitable and not unfairly discriminatory to provide a higher rebate for PIP Orders than COPIP Orders. The rebate is intended to incentivize Participants to submit PIP and COPIP Orders to the Exchange and the Exchange believes that COPIP Orders do not need the same level of incentivization since the COPIP is a new offering on the Exchange. The Exchange believes the lower COPIP rebate will still provide greater liquidity and trading opportunities for all market participants.

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 the proposed fee changes are reasonably designed to enhance competition in BOX transactions, particularly auction transactions.

The proposed rule change establishes a flat fee for Market Maker responses to orders in the PIP and COPIP, which the Exchange believes does not impose a burden on competition because all Market Makers will be affected to the same extent.

The proposed rule change also modifies the tiered fees charged to Initiating Participants based on their monthly ADV in Auction Transactions. BOX notes that its market model and fees are generally intended to benefit retail customers by providing incentives for Participants to submit their customer order flow to BOX, and to the PIP in particular. The Exchange does not believe that the proposed fee changes burden competition by creating such a disparity between the fees an Initiating Participant pays and the fees a competitive responder pays that would result in certain participants being unable to compete with initiators in the PIP and COPIP The Exchange does not believe competitive responders in the PIP and COPIP will be burdened from competing in these auctions. In fact, the Exchange believes that these changes will not impair these Participants from adding liquidity and competing in Auction Transactions and will help promote competition by providing incentives for market participants to submit customer order flow to BOX and thus, create a greater opportunity for retail customers to receive additional price improvement.

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[15] and Rule 19b-4(f)(2) thereunder,[16] 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

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

[16] 17 CFR 240.19b-4(f)(2).

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

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-2014-11 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-2014-11. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2014-11 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.[17]

Kevin M. O'Neill,
Deputy Secretary.

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