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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-74576; File No. SR-BOX-2015-16]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify Certain Statements Made in SR-BOX-2015-03, a Proposed Rule Change Filed by the Exchange on January 9, 2015
March 25, 2015.

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 16, 2015, 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 the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to clarify certain statements made in SR-BOX-2015-03, a rule change filed by the Exchange on January 9, 2015, to implement an equity rights program (the “VPR Filing”).

There are no proposed changes to any rule text.

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, the Proposed Rule Change

1. Purpose

On January 9, 2015, the Exchange filed the VPR Filing to implement an equity rights program (the "VPR Program").⁵ As provided on page 4 of 49 of the VPR Filing, Subscribers in the VPR Program have the right to acquire equity in, and receive distributions from, BOX Holdings Group LLC ("Holdings"), an affiliate of the Exchange, in exchange for the achievement of certain order flow volume commitment thresholds on the Exchange over a period of five (5) years (and a nominal initial cash payment). Specifically, each Volume Performance Right ("VPR") issued to Subscribers under the VPR Program includes an average daily transaction volume commitment ("VPR Volume Commitment") with respect to Qualifying Contract Equivalents (as defined on page 6 of 49 of the VPR Filing) equal to 0.0055% of the

⁵ See SR-BOX-2015-03. As noted in the VPR Filing, certain aspects of the Program require changes to the company governance documents, including the acquisition of equity ownership and any right related to such ownership, are contingent upon Commission approval of a separate company governance proposed rule change, which has yet to be filed.

Industry ADV⁶ for a total of five (5) years.⁷ The calculation of a Contract Equivalent depends on the type of account that sends the order flow to BOX, each of which has a predetermined ratio assigned to it under the Program: Public Customer (0.71), Market Maker (1.10), Broker/Dealer (1.35) and Professional Customer (1.35). This predetermined ratio is then multiplied by the quantity of options contracts executed by the Subscriber on BOX for the Subscriber's own or customer account over a certain period to determine the number of Contract Equivalents attributed to the Subscriber for that period.

In describing how Contract Equivalents are calculated in the VPR Filing, the Exchange inadvertently used the term "orders" to describe the option contracts executed by the Subscriber. Specifically, on pages 5 and 20 – 21 of 49 of the VPR Filing, the Exchange explained that the Contract Equivalent calculation for each of the four categories of account types would be based on the quantity of orders executed, multiplied by the predetermined ratio assigned to each category. However, this description was intended to convey that, in calculating the Contract Equivalent for each of the four categories of account types under the Program, the Exchange measures the number of contracts executed, and then multiplies the executed contracts by the predetermined ratio for the appropriate category. Accordingly, if a Subscriber were to send a single order of 1,000 option contracts to the Exchange, and all 1,000 option contracts are

⁶ The Industry ADV for a period is calculated by multiplying (i) two (2) times (ii) the quotient of (A) the aggregate number of cleared U.S. options transactions executed on a U.S. national exchange or facility thereof in U.S. listed securities on trading days during the period, as reported by the Options Clearing Corporation ("OCC"), divided by (B) the number of trading days during the period. A "trading day" is generally any day on which the BOX market is open for business, subject to certain qualifications to be defined in the Members Agreement. Certain industry transactions are excluded from the calculation of Industry ADV as described on pages 9 – 10 of 49 of the VPR Filing.

⁷ Each VPR also includes 8.5 unvested new Class C Membership Units of Holdings. See page 5 of 49 of the VPR Filing.

executed on BOX (assuming none are Excluded Member Contracts, as defined on pages 9 – 10 of the VPR Filing), then the number of Contract Equivalents for that Subscriber would be calculated by multiplying the 1,000 contracts (not the single order) by the predetermined ratio for the appropriate account type.

Furthermore, in describing how the Contract Equivalent ratio was determined for each of the four account type categories under the Program, the Exchange noted, on pages 6, 16, and 20 – 21 of 49 of the VPR Filing, that the ratios are weighted in accordance with the Exchange’s Fee Schedule, such that those account types that are charged higher fees by the Exchange have Contract Equivalent ratios that are weighted more heavily. While the Exchange believes the operating principles of the VPR Program are evident from the VPR Filing, we understand the description of the weight assigned to each predetermined Contract Equivalent ratio may be confusing, and seek to clarify it. Specifically, the Contract Equivalent ratios assigned to each of the four account types escalate in accordance with the fees charged to the same four account types in the Exchange’s Fee Schedule. Thus, the categories for which the Exchange earns the highest fees for any executed contract (Broker/Dealer and Professional Customer) also have the highest Contract Equivalent ratio, and vice versa. Having a higher Contract Equivalent ratio requires additional contracts to be executed to achieve the number of Qualifying Contract Equivalents required to meet the Subscriber’s VPR Volume Commitment. Put another way, having a lower Contract Equivalent ratio allows a Subscriber to reach their VPR Volume Commitment faster as compared to submitting contracts with a higher Contract Equivalent ratio. Accordingly, a Subscriber executing contracts for the Broker/Dealer and Professional Customer account types will take longer to reach their VPR Volume Commitment as compared to executing contracts for the Market Maker and Public Customer account types, in that more

executions will be required to achieve the VPR Volume Commitment because it takes 1.35 Broker/Dealer or Professional Customer executed contracts to equal one (1) Qualifying Contract Equivalent. In contrast, a Subscriber executing contracts for the Public Customer account type, for which the Exchange earns the lowest fees, will reach their VPR Volume Commitment faster as compared to executing contracts for the Market Maker, Professional Customer and Broker/Dealer account types, in that less contracts will need to be executed on behalf of Public Customer accounts than any other type of account in order to meet the VPR Volume Commitment because it only takes .71 Public Customer executed contracts to equal one (1) Qualifying Contract Equivalent. For example if a Subscriber is trying to reach 1000 Qualifying Contract Equivalents it would only take 710 executed Public Customer contracts ($1000 \times 0.71 = 710$) or 1350 executed Broker/Dealer contracts ($1000 \times 1.35 = 1350$) to reach the 1000 Qualifying Contract Equivalents. This example illustrates how a Subscriber can reach their VPR Volume Commitment faster and through fewer transactions by executing Public Customer contracts as compared to executing Broker/Dealer contracts.

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,⁸ 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. In particular, the proposed rule change is reasonable, equitable and not unfairly discriminatory because it proposes to clarify aspects of the VPR Filing, thereby helping ensure that investors and current Subscribers to the VPR Program clearly

⁸ 15 U.S.C. 78f(b)(4) and (5).

understand how the VPR Program operates. In addition, because the first quarter of the VPR Program has not yet completed as of the time of filing this proposed rule change, no Quarterly Volume Commitment (as defined on page 30 of 49 of the VPR Filing) calculations have been made under the Program for any Subscribers. Accordingly, this proposed rule filing should provide current Subscribers will sufficient time to resolve any potential confusion that stemmed from the description of the VPR Program and, specifically, the Contract Equivalent calculation and Contract Equivalent ratios, in the VPR Filing before the first Quarterly Volume Commitment under the Program is calculated for Subscribers.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change will improve competition by clarifying certain aspects of the VPR Filing for all market participants.

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 Act⁹ and Rule 19b-4(f)(2) thereunder,¹⁰ 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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 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-2015-16 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-2015-16. 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 the 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-2015-16 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.¹¹

Brent J. Fields,
Secretary.

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¹¹ 17 CFR 200.30-3(a)(12).