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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-75374; File No. SR-BOX-2015-22]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change to Implement the Governance Provisions of an Equity Rights Program

July 7, 2015.

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 June 25, 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 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 implement the governance provisions of an equity rights program (the "VPR Program"). Upon Commission approval of the proposed rule change, BOX Holdings Group LLC ("Holdings"), an affiliate of the Exchange and direct parent entity of BOX Market LLC, a facility of the Exchange ("BOX"), proposes to amend the existing Limited Liability Company Agreement of Holdings (the "Holdings LLC Agreement") by adopting an Amended and Restated Limited Liability Company Agreement of Holdings (the "Restated Holdings LLC Agreement"). There are no other proposed changes to any rule text. The text of the proposed rule

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 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 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 implement the governance provisions of the VPR Program, in which certain BOX Options Participants (each, a "Participant") elected to participate. The Exchange notified all of its Participants of the opportunity to participate in the VPR Program by Regulatory Circular published on October 1, 2014. All Participants that indicated interest in participating in the VPR Program by October 31, 2014 and that subscribed to the VPR Program by January 14, 2015 were permitted to participate in the VPR Program.

The purpose of this rule filing is, subject to Commission approval, to fulfill a condition to providing Subscribers the full benefits intended through the VPR Program by permitting Holdings to amend the Holdings LLC Agreement by adopting the Restated Holdings LLC Agreement.

Background

In order to implement the VPR Program, the Exchange has already submitted a proposed rule change under Section 19(b)(3)(A)(ii) of the Securities Exchange Act of 1934 (the "Act")[3] and Rule 19b-4(f)(2) thereunder,[4] for immediate effectiveness, inasmuch as it establishes or changes a due, fee, or other charge imposed by the Exchange.[5] In addition, the Exchange is submitting this proposed rule change under Section 19(b)(1) of the Act[6] and Rule 19b-4 thereunder,[7] subject to Commission approval, to make changes to its company governance documents to accommodate aspects of the VPR Program that involve or affect the Restated Holdings LLC Agreement of Holdings.

Participants that elected to participate in the VPR Program have the right to acquire equity in and receive distributions from Holdings, 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. The purpose of the VPR Program is to promote the long-term interests of the Exchange by incentivizing Participants to contribute to the growth and success of BOX by providing enhanced levels of trading volume to BOX.

Upon initiation of the VPR Program by Holdings, Participants that elected to participate in the VPR Program, met the eligibility criteria and made the initial cash payment ("Subscribers"), were issued Volume Performance Rights ("VPRs") in tranches of

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

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

5 See Securities Exchange Act Release No. 74114 (January 22, 2015), 80 FR 4611 (January 28, 2015) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Implement an Equity Rights Program). See also Securities Exchange Act Release No. 74576 (March 25, 2015), 80 FR 17122 (March 31, 2015) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify Certain Statements Made in SR–BOX– 2015–03).

6 15 U.S.C. 78s(b)(1).

7 17 CFR 240.19b-4.

twenty (20) VPRs (each, a "Tranche") with a minimum subscription of two (2)Tranches per Subscriber. Twenty-seven (27) Tranches have been issued in connection with the VPR Program.

Each VPR is comprised of the right to receive 8.5 unvested new Class C Membership Units of Holdings ("Class C Units"), upon effectiveness of this rule filing, and an average daily transaction volume commitment ("VPR Volume Commitment") equal to 0.0055% of Industry ADV, as measured in Qualifying Contract Equivalents, for a total of five (5) years (twenty (20) consecutive measurement quarters).[8] The VPR Volume Commitment, in terms of total contracts, will change based on the movement of the Industry ADV. One VPR per Tranche will be eligible to vest each quarter of the five (5) year Program period, subject to the Subscriber meeting its volume commitment for that quarter. In addition, VPRs may be reallocated among Subscribers based upon exceeding or failing to meet Subscribers' volume commitments during the VPR Program period.

Ownership Units

As discussed above, each VPR held by a Subscriber includes the right to receive 8.5 Class C Units of Holdings within ten (10) business days after effectiveness of this rule filing and the completion or waiver of the conditions to closing. Currently, Holdings has issued and outstanding Class A and Class B membership units. Class C Units will be created by the adoption of the Restated Holdings LLC Agreement and, at such time, Holdings will admit the

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[8] The measurement of order flow for purposes of the VPR Program first began on January 12, 2015, the first trading day after the first Subscribers subscribed to the VPR Program. However, BOX extended the deadline to accommodate Subscribers; therefore, the first measurement date began later for a Subscriber that submitted the required documents and payment during the extension period. See Securities Exchange Act Release No. 74171 (January 29, 2015), 80 FR 6153 (February 4, 2015) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Deadline for the VPR Program to January 14, 2015).

Subscribers as Class C Members. Class C Units may be held in fractional numbers equal to one half Unit. Units may, but need not be, represented by physical certificates. The Restated Holdings LLC Agreement provides for the maintenance of capital accounts and other accounting and tax provisions relating to the Class C Units.

The existing limitations on the percentage ownership of Holdings by Participants will continue to apply. In the event that a Member, or any Related Person[9] of a Member, is a Participant pursuant to the Exchange Rules, and the Member owns more than 20% of the

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[9] "Related Person" means with respect to any Person: (A) any Affiliate of the Person; (B) any other Person with which the first Person has any agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of Units; (C) in the case of a Person that is a company, corporation or similar entity, any executive officer (as defined under Rule 3b-7 under the Exchange Act) or director of the Person and, in the case of a Person that is a partnership or limited liability company, any general partner, managing member or manager of the Person, as applicable; (D) in the case of any BOX Options Participant who is at the same time a broker-dealer, any Person that is associated with the BOX Options Participant (as determined using the definition of "person associated with a member" as defined under Section 3(a)(21) of the Exchange Act); (E) in the case of a Person that is a natural person and a BOX Options Participant, any broker or dealer that is also a BOX Options Participant with which the Person is associated; (F) in the case of a Person that is a natural person, any relative or spouse of the Person, or any relative of the spouse who has the same home as the Person or who is a director or officer of the Exchange or any of its parents or subsidiaries; (G) in the case of a Person that is an executive officer (as defined under Rule 3b-7 under the Exchange Act) or a director of a company, corporation or similar entity, the company, corporation or entity, as applicable; and (H) in the case of a Person that is a general partner, managing member or manager of a partnership or limited liability company, the partnership or limited liability company, as applicable. "Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with, the Person. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise with respect to the Person. A Person is presumed to control any other Person, if that Person: (i) is a director, general partner, or officer exercising executive responsibility (or having similar status or performing similar functions); (ii) directly or indirectly has the right to vote 25 percent or more of a class of voting security or has the power to sell or direct the sale of 25 percent or more of a class of voting securities of the Person; or (iii) in the case of a partnership, has contributed, or has the right to receive upon dissolution, 25 percent or more of the capital of the partnership. See proposed Restated Holdings LLC Agreement Section 1.1.

Units, alone or together with any Related Person of the Member (Units owned in excess of 20% being referred to as "Excess Units"), the Member and its designated Directors will have no voting rights with respect to the Excess Units on any action relating to BOX Holdings nor will the Member or its designated Directors, if any, be entitled to give any proxy with respect to the Excess Units in relation to a vote of the Members; provided, however, that whether or not the Member or its designated Directors, if any, otherwise participates in a meeting in person or by proxy, the Member's Excess Units will be counted for quorum purposes and will be voted by the person presiding over quorum and vote matters in the same proportion as the Units held by the other Members are voted (including any abstentions from voting).[10]

Upon completion of the VPR Program, all outstanding Class C Units associated with vested VPRs will be automatically converted into an equal number of Class A Units and all outstanding Class C Units associated with unvested VPRs will be automatically cancelled and be of no further effect. All rights related to Class C Units will terminate automatically upon cancellation or conversion and rights related to the converted Class A Units will remain, subject to the terms of the Restated Holdings LLC Agreement.[11]

Voting

Each Class C Member will have the right to vote its Class C Units that are associated with vested VPRs ("Voting Class C Units") on matters submitted to a vote of all holders of Units. VPRs will vest in accordance with the vesting provisions of the VPR Program.[12] Members holding Voting Class C Units will vote with Members holding all other classes of

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10 See proposed Restated Holdings LLC Agreement Section 7.4(h).

11 See proposed Restated Holdings LLC Agreement Section 2.5(e).

12 See supra, note 5.

Units. Members holding Voting Units[13] will be entitled to vote together, as a single class, each with one vote per Voting Unit so held.[14] Issued and outstanding Class C Units that are not Voting Class C Units will not have voting rights. Accordingly, as a Subscriber meets or exceeds volume commitments, voting powers as Class C Member of Holdings will increase. Similarly, if Subscribers do not meet volume commitments, voting powers will decrease.

The Holdings LLC Agreement currently provides, and the Restated Holdings LLC Agreement will continue to provide, that any Director designated by either MX US 2, Inc. or IB Exchange Corp may effectively block certain actions of Holdings (the "Major Action Veto"). The Restated Holdings LLC Agreement provides that, upon vesting of VPRs associated with Class C Units equal to at least 25% of the total outstanding Units, the Major Action Veto will automatically expire and be of no further effect. Also, when the 25% threshold is met, the Restated Holdings LLC Agreement also provides that Holdings and its Members will take all necessary action to amend the Limited Liability Company Agreement of BOX to eliminate the major action veto provisions therein that are applicable to BOX and inure to the benefit of MX US 2, Inc. and IB Exchange Corp and to provide that the executive committee of BOX will be constituted in the same manner as the Executive Committee of Holdings.[15]

The Restated Holdings LLC Agreement includes a new supermajority voting requirement that Members holding at least 67% of all outstanding Voting Units must vote to approve certain actions (the "Supermajority Actions") by Holdings.[16] The new supermajority

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13 "Voting Unit" means any Class A Unit, Class B Unit, or Voting Class C Unit.

14 See proposed Restated Holdings LLC Agreement Section 4.13(a).

15 See proposed Restated Holdings LLC Agreement Section 16.4.

16 See proposed Restated Holdings LLC Agreement Section 4.13(b).

voting requirement will be in addition to all other existing voting requirements applicable to Holdings and any actions Holdings may take, including the Major Action Veto. This new requirement provides additional protections to Subscribers and Members that Supermajority Actions will not be undertaken without broad support among holders of Voting Units.

Supermajority Actions include the following: (i) merger or consolidation of Holdings or BOX with any other entity, a sale of Holdings or BOX, or the sale, lease or transfer, by Holdings or BOX, of any material portion of its assets; (ii) entry by Holdings or BOX into any line of business other than the business described in Article 3 of the Restated Holdings LLC Agreement or in Article 3 of the Limited Liability Company Agreement of BOX; (iii) conversion of Holdings or BOX from a Delaware limited liability company into any other type of entity; (iv) except as expressly contemplated by a members agreement among the Members (the "Members Agreement"), Holdings or BOX entering into any agreement, commitment, or transaction with any Member or any of its Affiliates other than transactions or agreements upon commercially reasonable terms that are no less favorable to Holdings or BOX, respectively, than Holdings or BOX would obtain in a comparable arms-length transaction or agreement with a third party; (v) to the fullest extent permitted by law, taking any action to effect the voluntary, or which would precipitate an involuntary, dissolution or winding-up of Holdings or BOX; (vi) except as otherwise provided in the facility agreement between the Exchange and BOX (the "Facility Agreement") or to the extent otherwise required by the Exchange to fulfill its regulatory functions or responsibilities or to oversee the BOX Market as determined by the board of the Exchange, the issuance, by Holdings, of any additional equity interests in, or any securities exchangeable for or convertible into equity securities of, Holdings other than the following, as approved by the Holdings Board and in the

aggregate not to exceed ten percent (10%) of the outstanding equity interests of Holdings: (A) equity interests, options or convertible securities issued as a dividend, Unit split or distribution on existing Units, (B) equity interests issued to employees or Directors of, or consultants or advisors to, Holdings or one or more subsidiaries thereof pursuant to a plan, agreement or arrangement, (C) equity interests issued upon the exercise of options or convertible securities issued by Holdings, provided each such exercise or conversion is in accordance with the terms of each such option or security, and (D) equity interests issued by Holdings in the acquisition of any business; (vii) the issuance, by BOX, of any additional equity interests in, or any securities exchangeable for or convertible into equity securities of, BOX, except as otherwise provided in the Facility Agreement or to the extent otherwise required by the Exchange to fulfill its regulatory functions or responsibilities or to oversee the BOX Market as determined by the board of the Exchange; (viii) permitting BOX to operate the BOX Market utilizing any other regulatory services provider other than the Exchange, except as otherwise provided in the Facility Agreement or to the extent otherwise required by the Exchange to fulfill its regulatory functions or responsibilities or to oversee the BOX Market as determined by the Exchange Board; (ix) except as otherwise provided in the Facility Agreement, entering into, or permitting any subsidiary of Holdings to enter into, any partnership, joint venture or other similar joint business undertaking; (x) making a fundamental change to the business model of BOX to be other than a for-profit business, except to the extent otherwise required by the Exchange to fulfill its regulatory functions or responsibilities or to oversee the BOX Market as determined by the Exchange Board; (xi) subject to the transfer provisions of the Restated Holdings LLC Agreement, the acquisition of any Units by any person that results in the person, alone or together with any

Affiliate of the person, newly holding an aggregate percentage interest equal to or greater than twenty percent (20%); (xii) altering the provisions relating to the designation of Directors set forth in Section 4.1(a), except to the extent otherwise required by the Exchange to fulfill its regulatory functions or responsibilities or to oversee the BOX Market as determined by the Exchange Board; and (xiii) altering or amending any of the Supermajority Actions provisions, except to the extent otherwise required by the Exchange to fulfill its regulatory functions or responsibilities or to oversee the BOX Market as determined by the Exchange Board.

Amendments to the Restated Holdings LLC Agreement that alter the terms of one or more classes of Units in a manner that would materially, adversely and disproportionately (as compared with other classes of Units) affect the rights associated with the Class C Units as a class will require the written consent of holders of Class C Units ("Class C Members") holding at least seventy-five percent (75%) of the then outstanding Class C Units and any amendment to the Restated Holdings LLC Agreement that would have a disproportionate (with respect to the same class), material and adverse effect on the rights associated with any Units, or impose any additional, disproportionate (with respect to the same Class) and material liability or obligation upon the holder of any Units, will not be effective without the consent of the holders of those Units.[17]

Directors

The Restated Holdings LLC Agreement will amend the provisions governing composition of the Holdings Board. Currently, MX US 2, Inc. has the right to designate up to five (5) Directors, IB Exchange Corp has the right to designate up to two (2) Directors and each other Member has the right to designate one (1) Director to the Holdings Board and the

[17] See proposed Restated Holdings LLC Agreement Section 18.1(b)(ii).

Holdings Board has the power to increase the size of the Holdings Board and to authorize new Members to designate Directors.

Under the Restated Holdings LLC Agreement, no Member may designate more than three (3) Directors and each Member may designate the maximum number of Directors permitted under any one (1) (but not more than one) of the following criteria: (i) each Member, so long as it (together with its respective Affiliates) holds a combined total of Class A Units and Class B Units greater than two and one-half percent (2.5%) of all outstanding Voting Units, will be entitled to designate one (1) Director, (ii) each Member, so long as it (together with its respective Affiliates) holds a combined total of Voting Class C Units greater than four percent (4%) of all outstanding Voting Units, will be entitled to designate one (1) Director, (iii) each Member, so long as it (together with its respective Affiliates) holds a combined total of Voting Units greater than fourteen percent (14%) of all outstanding Voting Units, will be entitled to designate two (2) Directors, (iv) each Member, so long as it (together with its respective Affiliates) holds a combined total of Voting Units greater than twenty-eight percent (28%) of all outstanding Voting Units, will be entitled to designate three (3) Directors, and (v) each other existing Member may designate one (1) Director.[18] Directors serving on the Holdings Board may also serve on the board of directors of any subsidiary of Holdings. If a Member ceases to qualify for the right to designate a Director then serving, that Director will then automatically be removed from the Holdings Board.

The Restated Holdings LLC Agreement will also amend the provisions governing the right of Members to designate members of the Executive Committee of Holdings (the "Executive Committee"), if any. Currently, MX US 2, Inc. has the right to designate up to

[18] See proposed Restated Holdings LLC Agreement Section 4.1.

two (2) members of the Executive Committee ("EC Members") and IB Exchange Corp has the right to designate one (1) EC Member. Under the Restated Holdings LLC Agreement, any Member with the right to designate three (3) Directors to the Holdings Board will have the right to designate up to two (2) EC Members and any Member with the right to designate two (2) Directors to the Holdings Board will have the right to designate one (1) EC Member. Other provisions relating to the composition of the Executive Committee will be unchanged.[19]

Subscribers will also have the right to designate one individual to a new Advisory Committee organized by Holdings, the purpose of which will be to advise and make recommendations to Holdings with respect to the Exchange's competitiveness in the marketplace. Only Subscribers will have the right to designate individuals to serve on the Advisory Committee.[20] The Advisory Committee will be advisory only and will not have any powers, votes or fiduciary duties to Holdings.

Distributions

Once per year, Holdings will make a distribution (an "Annual Distribution") to its Members to the extent funds are available for distribution.[21] In determining the amount of each Annual Distribution, the Holdings Board will first provide for any regulatory needs of

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19 See proposed Restated Holdings LLC Agreement Section 4.2(c).

20 See Securities Exchange Act Release No. 74114 (January 22, 2015), 80 FR 4611 at 4613 (January 28, 2015) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Implement an Equity Rights Program).

21 Distributions on Class C Units will not be paid until this rule change is effective. Distributions payable on Class C Units that accrue before such effectiveness will be held in a segregated account until such effectiveness. If this rule filing does not become effective by July 1, 2016, a Subscriber may terminate its involvement in the VPR Program and any and all distributions with respect to Class C Units payable to that Subscriber held in the segregated account will be released back to Holdings and distributed to existing Members in accordance with the terms of the Holdings LLC Agreement. Id at 4612.

BOX and the Exchange, as determined by the Exchange Board, and any Annual Distribution amounts will be calculated after taking into account all financial and regulatory needs of the Exchange, as determined by the Exchange.[22] The Annual Distribution will be equal to 80% of Free Cash Flow,[23] except as limited by applicable law, including for regulatory and compliance purposes. In addition, another 15% of Free Cash Flow will be included in the distribution, except to the extent the Holdings Board determines that any portion thereof is (i) required for the operations of Holdings and its subsidiaries, which will be reflected on the annual budget for the next year, (ii) required for payment of liabilities or expenses of Holdings, or (iii) required as a reserve to make reasonable provision to pay other claims and obligations then known to, or reasonably anticipated by, BOX or Holdings. When, as and if declared by the Holdings Board, Holdings will make the cash distribution to each Member pro rata in accordance with the number of Units held by each Member, which will be determined by multiplying the aggregate Annual Distribution amount by each Member's Percentage Interest[24] on the record date. Distributions to Class C Members may be adjusted as provided in the Members Agreement.[25]

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22 See proposed Restated Holdings LLC Agreement Section 8.1.

23 "Free Cash Flow" means consolidated net income, plus depreciation, less capital expenditures (in each case calculated in accordance with generally accepted accounting principles in the United States, as in effect from time to time) of Holdings and BOX, for the calendar year. See proposed Restated Holdings LLC Agreement Section 1.1.

24 "Percentage Interest" with respect to a Member means the ratio of the number of Units held by the Member to the total of all of the issued Units, expressed as a percentage and determined with respect to each class of Units, whenever applicable. "Units" means Class A Membership Units, Class B Membership Units and Class C Membership Units of Holdings, whether or not associated with vested VPRs. See proposed Restated Holdings LLC Agreement Section 1.1.

25 See proposed Restated Holdings LLC Agreement Section 8.1 and see supra, note 5.

Transfers

Class C Units are not expected to be registered for resale by Holdings and may not be transferred without complying with, or qualifying for an exemption from, the registration requirements of the Securities Act. Any Transferee of Class C Units must become a party to the Members Agreement and the Restated Holdings LLC Agreement as a condition to the transfer.

Transfers of Class C Units will be subject to certain rights of first refusal. Before a Class C Member may transfer Class C Units to a transferee that is not an Affiliate, the Class C Member must first offer to sell the Class C Units to Holdings on the same terms[26] and, to the extent Holdings does not exercise its primary right of first refusal, the Class C Units must then be offered to the other Class C Members on the same terms.[27]

Class C Units will include pre-emptive rights. In the event Holdings proposes to issue and sell new equity securities of Holdings, other than for certain customary exceptions, a Class C Member will have the right to maintain its percentage ownership in Holdings represented by the Class C Units it holds, by electing to purchase from Holdings, on the same terms, a percentage of the new securities equal to the percentage of all outstanding securities of Holdings represented by the outstanding Class C Units held by the Class C Member.[28]

Class C Units will be subject to co-sale rights. In the event a Class C Member proposes to Transfer Voting Class C Units (a "Transferring Member") to a transferee that is not an Affiliate, each other Class C Member will have the right to sell a portion of its Voting Class C Units to the transferee on the same terms. All Class C Members that elect to exercise

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26 See proposed Restated Holdings LLC Agreement Section 7.2.

27 See proposed Restated Holdings LLC Agreement Section 7.3(b).

28 See proposed Restated Holdings LLC Agreement Section 7.3(c).

this right of co-sale may, collectively, sell a number of Voting Class C Units equal to one-half (1/2) of the total number of Voting Class C Units proposed to be sold by the Transferring Member. If more than one Class C Member elects to exercise this co-sale right, the number of Voting Class C Units each may sell will be divided pro rata among them based upon their relative ownership of Voting Class C Units.[29]

Class C Units will be subject to drag-along rights. In the event that holders of at least seventy-five percent (75%) of the then outstanding Voting Units, including at least seventy-five percent (75%) of the then outstanding Voting Class C Units (collectively, the "Selling Members") approve a sale of Holdings in writing, specifying that the drag-along rights will apply to the transaction, then each Class C Member will be required to approve, cooperate and participate as a seller of Class C Units in the transaction, subject to certain customary exceptions.[30]

Miscellaneous

The Holdings LLC Agreement currently requires, and the Restated Holdings LLC Agreement will continue to require, that, so long as MX US 2, Inc. and its Affiliates own 4% or more of Holdings, it shall not invest in more than 5%, or participate in the creation and/or operation of, a competing business (the "Non-compete Covenant"). The proposed Restated Holdings LLC Agreement provides that, upon vesting of VPRs associated with Class C Units equal to at least 10% of the total outstanding Units, the Non-compete Covenant will automatically expire and be of no further effect.

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[29] See proposed Restated Holdings LLC Agreement Section 7.6(c).

[30] See proposed Restated Holdings LLC Agreement Section 7.7.

Additional structural, technical and non-substantive changes to the Holdings LLC Agreement are proposed to accommodate the substantive changes described above.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[31] Specifically, the Exchange believes that its proposed rule change is consistent with Section 6(b)(5) of the Act[32] 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 mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the requirement in Section 6(b)(5) of the Act[33] that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,[34] which requires that the Exchange be so organized and have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its members and persons associated with its members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange.

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31 15 U.S.C. 78f(b).

32 15 U.S.C. 78f(b)(5).

33 Id.

34 15 U.S.C. 78f(b)(1).

Ownership

The Exchange believes that continuing to apply the existing limitations on the percentage ownership of Holdings by Participants is just and equitable and not unfairly discriminatory because it will protect all Members, including Participants, by ensuring that no Participant will be permitted to vote more than a 20% ownership interest in Holdings. Therefore, no Participant will be able to assert excessive influence over Holdings. The diverse ownership of Holdings will enhance the Exchange's ability to enforce compliance by Holdings with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange. Further, the diverse ownership of Holdings will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest. The Exchange believes that the limit is reasonable and not unfairly discriminatory because each Participant Member may vote up to 20% so there is no risk that the limit will prevent a Participant with substantial ownership from being adequately represented.

The Exchange believes that the conversion of Class C Units associated with vested VPRs into Class A Units at the end of the VPR Program is just and equitable and not unfairly discriminatory. Class A Units are the primary ownership unit of Holdings. The conversion is just and equitable and not unfairly discriminatory because, at the end of the VPR Program, each Subscriber will be rewarded with Class A Units to the extent it has met its obligations under the VPR Program.

Voting

Limiting voting on matters submitted to a vote of all holders of Units to Class C Units that are associated with vested VPRs is just and equitable and not unfairly discriminatory because the Exchange does not believe it would be fair to treat Class C Units associated with unvested VPRs in the same manner as Class C Units associated with vested VPRs when it comes to matters of voting since vested VPRs in the VPR Program have satisfied certain requirements that provide value to Holdings in return for establishing a voting interest in Holdings. Additionally, the Exchange believes it is reasonable to exclude Class C Units associated with unvested VPRs from voting because Subscribers holding unvested VPRs are still able to provide input and make recommendations to Holdings through the VPR Program.[35]

The Exchange believes that allowing the expiration of the Major Action Veto upon vesting of VPRs associated with Class C Units equal to at least 25% of the total outstanding Units is reasonable and not unfairly discriminatory because it will allow all Members to exert influence over the affairs and direction of Holdings in percentages more closely aligned with their respective ownership percentages. Eliminating the Major Action Veto from both the Restated Holdings LLC Agreement and the Limited Liability Company Agreement of BOX is just and equitable and not unfairly discriminatory because it will allow Holdings and BOX to undertake a broader range of actions without allowing a single Member to block such actions.

The new supermajority voting requirement that Members holding at least 67% of all outstanding Voting Units must vote to approve Supermajority Actions is fair and reasonable because it will ensure sufficient oversight of the commercial affairs of Holdings and that any Supermajority Action undertaken is necessary, appropriate and in the best interest of Holdings

[35] See supra, note 20.

and the Members. Additionally, supermajority voting will provide adequate safeguards and affirmative approval of significant changes to Holdings and will serve to protect the interest of the Members. The Exchange further believes that the supermajority voting provision is important given the new, more diverse ownership structure of Holdings. Specifically, requiring supermajority voting will ensure any substantial change in BOX will have to be approved by more than a simple majority.

The proposed rule change will foster key changes to the governance of Holdings. Equity issued pursuant to the proposed rule change and in connection with the VPR Program is intended to reduce the ownership percentage of the existing majority owner of Holdings, MX US 2, Inc., below fifty percent (50%). If Subscribers meet expected order flow commitments pursuant to the VPR Program, the ownership of Holdings by current Members, including MX US 2, Inc., will be diluted such that no single Member will have a majority ownership.

The elimination of the Major Action Veto, the addition of supermajority voting provisions, and the dilution of MX US 2, Inc.'s ownership below fifty percent (50%) will give Members other than MX US 2, Inc. increased voting power and enhance the Exchange's ability to enforce compliance by Holdings with the Act and the rules of the Exchange. Further, such voting provisions will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest.

Requiring the written consent of Class C Members holding at least seventy-five percent (75%) of then outstanding Class C Units for any amendment to the Restated Holdings LLC

Agreement that alters the terms of one or more classes of Units in a manner that would materially, adversely and disproportionately (as compared with other classes of Units) affect the rights associated with the Class C Units as a class is fair, reasonable and not unfairly discriminatory because it will protect Class C Units from being unfairly disadvantaged relative to the other classes of Units and will prevent the other classes of Units from unfairly discriminating against the Class C Units.

Directors

The Exchange believes that setting the number of Directors that a Member can designate is fair, reasonable and not unfairly discriminatory because it will ensure that the Holdings Board has broad representation and that no single Member will be able to exert undue control and influence over the Holdings Board. The diverse makeup of the Holdings Board will enhance the Exchange's ability to enforce compliance by Holdings with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange. Further, the Exchange believes that broad representation will be beneficial because it will foster cooperation and coordination, will contribute to the identification of opportunities for innovation and will enhance competition. The Exchange further believes that the various percentage thresholds for determining the number of Directors a Member can designate fosters cooperation and coordination with persons engaged in facilitating transactions in securities, removes impediments to and perfect the mechanisms of a free and open market and a national market system, protects investors and the public interest, and are just and equitable and not unfairly discriminatory because such thresholds generally align Members' economic interests with their respective representation on the Holdings Board. Further, the purpose of the VPR Program is to reward Subscribers that execute orders on the Exchange; the percentage thresholds for

determining the number of Directors a Member is permitted to designate will reward those Members that contribute to the success of the Exchange by allowing them to designate additional Directors to the Holdings Board. The limitations on designated members of the Executive Committee of Holdings is fair, reasonable and not unfairly discriminatory because the Executive Committee has oversight responsibility over the affairs of Holdings and the Exchange believes it is reasonable to limit the membership of the Executive Committee to those Members that have a greater economic interest in Holdings.

Distributions

The Exchange believes that the proposed distribution provisions are consistent with the Act and protects investors and the public interest because all financial and regulatory needs of the Exchange and BOX will be provided for in determining the amount each distribution. This rule change ensures that no funds necessary for the regulation of the Exchange or BOX will be distributed to the Members of Holdings and will provide the Exchange with the financial ability to carry out the purposes of the Act, to comply and to enforce compliance with the provisions of the Act and the rules and regulations thereunder, including the rules of the Exchange, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities.

Transfers

The Exchange believes that the limitations on transferring Class C Units are fair, reasonable and not unfairly discriminatory. Specifically, requiring any such Transferee to become a party to the Members Agreement and the Restated Holdings LLC Agreement as a condition of a transfer fosters cooperation and coordination with persons engaged in facilitating

transactions in securities, removes impediments to and perfect the mechanisms of a free and open market and a national market system, protects investors and the public interest, is just and equitable and not unfairly discriminatory because all Members are required to be parties to the Members Agreement and the Restated Holdings LLC Agreement, which ensures that the rule change will apply to all Members. The limitation on transferring Class C Units to a transferee that is not an Affiliate is just and equitable and not unfairly discriminatory because it preserves the rights of the other Members by protecting their ownership stake in Holdings. Further, the proposed rights of first refusal, pre-emptive rights, co-sale rights and drag-along rights are reasonable and not unfairly discriminatory as these rights provide stability among the ownership group, allow Members to participate in opportunities for third party transactions and protect the nature of the investment made by each Member. All of the proposed limitations on equity transfers enhance the Exchange's capacity and ability to carry out the purposes of the Act and to comply, and to enforce compliance by its members and persons associated with its members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange.

Miscellaneous

The Exchange believes that the proposed rule change to permit the potential future expiration of the non-compete obligation of MX US 2, Inc. fosters cooperation and coordination with persons engaged in facilitating transactions in securities, removes impediments to and perfect the mechanisms of a free and open market and a national market system, protects investors and the public interest, and is just and equitable and not unfairly discriminatory. Currently, this restriction applies only to MX US 2, Inc. and not to other Members of Holdings. The expiration of this non-compete obligation was approved by the existing Members and will

only take effect if MX US 2, Inc. becomes a minority Member of Holdings by reducing its ownership to less than fifty percent (50%) of the outstanding equity of Holdings. The expiration of this existing restriction will place all Members of Holdings on equal footing with respect to other investments they wish to make.

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 providing market participants with an incentive to consider and utilize another market, BOX, when determining where to execute options contracts and post liquidity.

The Exchange believes that the proposed rule change will help the Exchange achieve the goals of the VPR Program to increase both intermarket and intramarket competition by incenting Subscribers to direct their orders to the Exchange, which will enhance the quality of quoting and increase the volume of contracts traded there. Notwithstanding these incentives, Subscribers will still be free to send orders to other markets, even if they have not met their volume commitment for that measurement period; thus the proposed change will not impose a burden on competition among exchanges. To the extent an additional competitive burden on non-Subscribers is imposed by the proposed rule change, the Exchange believes that this is appropriate because the VPR Program should incent Participants to direct additional order flow to the Exchange and thus provide additional liquidity, which enhances the quality of BOX and increases the volume of options traded on BOX. To the extent that this purpose is achieved, all of the Exchange's Participants, even non-Subscribers, should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order

flow directed to the Exchange will benefit all market participants and improve competition on the Exchange.

Given the robust competition for volume among options markets, many of which offer the same products, implementing rule changes to help achieve the goals of a program to attract order flow like the VPR Program is consistent with the above-mentioned goals of the Act. This is especially true for a smaller options exchange, such as BOX, which is competing for volume with much larger exchanges that dominate the options trading industry. BOX captures a relatively modest percentage of the average daily trading volume in options, so it is unlikely that the rule change could cause any competitive harm to the options market generally or to market participants. Rather, the proposed rule change, which will allow BOX to fully implement the governance provisions of the VPR Program, is an attempt by a small options market to attract order volume away from larger competitors by adopting an innovative pricing strategy.

Finally, the proposed rule change will permit an increase in the diversity of ownership of Holdings such that no one entity will have a majority ownership of Holdings. Upon the issuance of Class C Units to Subscribers, the ownership of Holdings will be distributed among more holders and distributed more evenly among existing holders. If there is full participation in the VPR Program, then the ownership of Holdings by its majority owner will be diluted and no single Member will have a majority ownership of Holdings.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds

such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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-2015-22 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-2015-22. 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-2015-22, 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.[36]

Brent J. Fields,
Secretary.

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[36] 17 CFR 200.30-3(a)(12).