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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75489; File No. SR-BOX-2015-26)

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Add Interpretive Material to BOX Rule 8050 to Indicate that Market Makers Will Not Be Obligated to Quote in Adjusted Option Series and to Define What Qualifies as an Adjusted Options Series

July 20, 2015

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 10, 2015, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 add Interpretive Material (“IM-8050-2”) to BOX Rule 8050 (Market Maker Quotations) to indicate that Market Makers will not be obligated to quote in adjusted option series and to define what qualifies as an adjusted options series. 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

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

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

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 add Interpretive Material ("IM-8050-2") to BOX Rule 8050 (Market Maker Quotations) to indicate that Market Makers will not be obligated to quote in adjusted option series and to define what qualifies as an adjusted options series. This is a competitive filing that is based on a proposal submitted by NYSE Arca, Inc. ("NYSE Arca") and approved by the Commission.<sup>3</sup>

BOX Rule 8050 discusses the quoting obligations that are applicable to Market Makers on the Exchange. The Rule states that, in addition to other requirements, Market Makers must post valid quotes throughout the trading day in its appointed classes at least sixty percent (60%) of the time the classes are open for trading.

The Exchange proposes to define "adjusted series" for the purpose of BOX Rule 8050. An "adjusted series" under the Rule would be defined as an option series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange Traded Fund Shares.

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<sup>3</sup> See Securities Exchange Act Release No. 65573 (October 14, 2011), 76 FR 65305 (October 20, 2011)(Order Approving SR-NYSEArca-2011-59). See also NYSE Arca Rule 6.37B Market Maker Quotations – OX.

After a corporate action and a subsequent adjustment to the existing options, the series in question are identified by the Options Price Reporting Authority (“OPRA”) and at Options Clearing Corporation (“OCC”) with a separate symbol consisting of the underlying symbol and a numerical appendage. As a standard procedure, exchanges listing options on an underlying security which undergoes a corporate action resulting in adjusted series will list new standard option series across all appropriate expiration months the day after the existing series are adjusted. The adjusted series are generally active for a short period of time following adjustment, but orders to open an options position in the underlying are almost exclusively placed in the new standard contracts. Although the adjusted series may not expire for as much as 27 months, in a short time the adjusted series become inactive. Thus, the burden of quoting these series generally outweighs the benefit of being appointed in the class because of the lack of interest in the series by various market participants.

The proposed rule change is similar to the NYSE Arca rule, in that the Exchange is merely proposing to exclude the adjusted series from the continuous quoting obligation, but not from other obligations under BOX Rule 8050. The NYSE Arca rule excludes adjusted option series, and series with a time to expiration of nine months or greater, for options on equities and Exchange Traded Fund Shares, and series with a time to expiration of twelve months or greater for Index options. Similar to NYSE Arca, BOX already excludes from continuous quoting requirements options series where the time to expiration is greater than nine (9) months,<sup>4</sup> and is now proposing to add the exclusion of adjusted series. Of particular note, the proposal would not excuse a Market Maker from the obligation, when called upon by an Exchange Official, to submit a single valid two-sided quote or maintain continuous quotes in one or more series of an

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<sup>4</sup> See BOX Rule 5070(a).

option class within the Market Maker's appointment whenever, in the judgment of such Exchange Official, it is necessary to do so in the interest of maintaining fair and orderly markets.<sup>5</sup>

The current quoting obligation in such illiquid series is a minor part of a Market Maker's overall obligation, and the proposed modicum of relief is mitigated by the obligation to respond to a request for quote from an Exchange Official. Because of the lack of interest in such series, there is little demonstrable benefit to being a Market Maker in them other than the ability to maintain Market Maker margins for what little activity may occur. In addition, the burden of continuous quoting in these series is counter to efforts to mitigate the number of quotes collected and disseminated.

The Exchange believes that the proposed rule change should incent Market Makers to continue appointments and thereby expand liquidity in options classes listed on the Exchange to the benefit of the Exchange and its Participants and public customers.

Additionally, the Exchange recently amended BOX Rule 7300 (Preferred Orders)<sup>6</sup> by adding, among other things, the language of "non-adjusted options series" to indicate that a Preferred Market Maker will not be obligated to maintain continuous quotes in adjusted series and to define the term adjusted options series. The Exchange believes that this proposed rule change will harmonize the quoting obligations in adjusted series for Preferred Market Makers and Market Makers on the Exchange.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of section

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<sup>5</sup> See BOX Rule 8050(c)(4).

<sup>6</sup> See Securities Exchange Act Release No. 74952 (May 13, 2015), 80 FR 28738 (May 19, 2015)(Notice of Filing and Immediate Effectiveness of SR-BOX-2015-19).

6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>7</sup> in general, and section 6(b)(5) of the Act,<sup>8</sup> in particular, 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 mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. In particular, the Exchange believes that, on balance, the elimination of the continuous quoting obligations in adjusted series is a minor change and should not impact the quality of BOX’s market. Among other things, adjusted series are not common, and trading interest is often very low after the corporate event has passed. Consequently, continuous quotes in such series increases quote traffic and burdens systems without a corresponding benefit. By not requiring Market Makers to continuously quote in such series, the Exchange’s proposal would further its goal of measured quote mitigation. Further, while they will not be tasked with continually quoting such series, Market Makers will be obligated to quote the series when called upon by an Exchange Official. Accordingly, the proposal supports the quality of BOX’s market by helping to ensure that Market Makers will continue to be obligated to quote in adjusted series when the need arises.

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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by NYSE Arca and approved by the Commission.<sup>9</sup>

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> See supra, note 3.

Accordingly, the Exchange believes that the proposed rule change should incent Market Makers to continue appointments and thereby expand liquidity in options classes listed on the Exchange to the benefit of the Exchange and its Participants and public customers.

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

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of 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.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2015-26 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2015-26. 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, D.C. 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-2015-26, 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.<sup>12</sup>

Robert W. Errett,  
Deputy Secretary.

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