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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83624; File No. SR-BOX-2018-18]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Order Granting Approval of a Proposed Rule Change to Adopt IM-7130-1 to Rule 7130

July 12, 2018

#### I. Introduction

On May 16, 2018, BOX Options Exchange LLC (the “Exchange” or “BOX”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt IM-7130-1 to BOX Rule 7130 to provide certain BOX Book<sup>3</sup> information to Participants<sup>4</sup> upon request. The proposed rule change was published for comment in the Federal Register on May 31, 2018.<sup>5</sup> The Commission received no comments on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

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

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

<sup>3</sup> The term “BOX Book” means the electronic book of orders on each single option series maintained by the BOX Trading Host. See BOX Rule 100(a)(10).

<sup>4</sup> The term “Participant” means a firm, or organization that is registered with the Exchange pursuant to the BOX Rule 2000 Series for purposes of participating in options trading on BOX as an “Order Flow Provider” or “Market Maker.” See BOX Rule 100(a)(41).

<sup>5</sup> See Securities Exchange Act Release No. 83318 (May 24, 2018), 83 FR 25079 (“Notice”).

BOX proposes to adopt new IM-7130-1 to Rule 7130 to provide that, upon request, the Exchange may make available to a Participant the amount of any priority interest on the BOX Book. For purposes of the proposed new rule, the term “priority interest” means the number of Public Customer contracts and Non-Public Customer contracts that are ranked ahead of such Public Customer contracts at a given price for a specific option class.<sup>6</sup> The information would be verbally provided to Participants for no fee, on a best efforts basis, and would be for advisory purposes only.<sup>7</sup> All BOX Book information would be provided on an anonymous basis.<sup>8</sup>

Under the proposed rule, Floor Brokers would inquire with an Options Exchange Official or his or her designee, and all other Participants would inquire with BOX’s Market Operations Center.<sup>9</sup> Participants would be required to request this information each time and the Exchange would not provide continuous updated information.<sup>10</sup> The Exchange represents that an Options Exchange Official will provide the requested information when doing so does not interfere with their regulatory responsibilities.<sup>11</sup>

The Exchange believes that the proposed rule change will provide Participants greater clarity on the composition and availability of liquidity on the BOX Book.<sup>12</sup> With respect to the

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<sup>6</sup> See proposed BOX Rule IM-7130-1. “Public Customer” means a person that is not a broker or dealer in securities. See BOX Rule 100(a)(52).

<sup>7</sup> See proposed BOX Rule IM-7130-1.

<sup>8</sup> See id.

<sup>9</sup> See id. The term “Market Operations Center” or “MOC” means the BOX Market Operations Center, which provides market support for Options Participants during the trading day. See BOX Rule 100(a)(32).

<sup>10</sup> See proposed BOX Rule IM-7130-1.

<sup>11</sup> See Notice, supra note 5, at 25080 n.5.

<sup>12</sup> See Notice, supra note 5, at 25080.

BOX Trading Floor, the Exchange believes that the availability of this information will lead to increased interaction with the BOX Book, because Floor Brokers will be aware of the liquidity available on the BOX Book that could interact with their Qualified Open Outcry Order (“QOO Order”)<sup>13</sup> and may choose to use such liquidity when executing orders from the Trading Floor or using a separate order to sweep that interest.<sup>14</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>15</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>16</sup> which requires, among other things, that the Exchange’s rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Commission notes that the proposed rule change, which would make priority interest information available upon request for all Participants, will provide increased transparency to

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<sup>13</sup> A QOO Order has two sides; the initiating side and the contra-side. The initiating side is the order which must be filled in its entirety. The contra-side must guarantee the full size of the initiating side of the QOO Order and may provide a book sweep size as provided in BOX Rule 7600(h). See BOX Rule 7600(a)(1). The initiating side of a QOO Order will execute against Public Customer Orders on the BOX Book and any other orders or quotes ranked ahead of such Public Customer Orders at the execution price first. See BOX Rule 7600(d)(2).

<sup>14</sup> See Notice, supra note 5, at 25080.

<sup>15</sup> In approving this proposed rule change the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>16</sup> 15 U.S.C. 78f(b)(5).

Participants, which the Exchange believes has the potential to result in more liquidity on the Exchange and increased interaction with the BOX Book. The Commission also notes that the proposed rule change, with respect to floor trading, is similar to the procedures of another options exchange that operates a trading floor.<sup>17</sup> For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>18</sup> and the rules and regulations thereunder applicable to a national securities exchange.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>19</sup> that the proposed rule change (SR-BOX-2018-18) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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<sup>17</sup> See NYSE Arca Regulatory Bulletin RB-16-04 (February 19, 2016) (stating that Floor Brokers on NYSE Arca may inquire at with the Trading Official at the post to the amount of any priority interest on NYSE Arca's electronic book). In addition, the Commission notes that some other options exchanges provide similar information on a real-time basis to data feed subscribers. See, e.g., Securities Exchange Act Release No. 74759 (April 17, 2018), 82 FR 22749 (April 23, 2015) (SR-MIAX-2015-28) (describing MIAX Order Feed which provides the origin of orders on the MIAX order book).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> 15 U.S.C. 78s(b)(2).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

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