



8011-01
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85678; File No. SR-BOX-2019-11)

April 17, 2019

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Options Market LLC (“BOX”) Facility to Modify Its Strategy QOO Order Fee Cap and Rebate

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 April 4, 2019, BOX Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“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 amend the Fee Schedule to amend the Fee Schedule [sic] on the BOX Options Market LLC (“BOX”) options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on May 1, 2019. The text of the proposed rule change is available from the principal office of the Exchange, at the

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).

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 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

The Exchange proposes to amend the Fee Schedule for trading on BOX to amend Section II.D (Strategy QOO Order Fee Cap and Rebate). Currently, the Exchange caps fees and offers rebates on all short stock interest, reversal, conversion, jelly roll, and box spread strategies on the BOX Trading Floor. The Exchange is now proposing to cap fees and offer a Floor Broker rebate for dividend strategy transactions.

A dividend strategy is defined as a transaction done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend. The Exchange proposes to include this definition in a footnote in the BOX Fee Schedule in Section II.D.

The Exchange now proposes to offer a strategy cap for dividend strategies. Today, Floor Participant transactions are capped at \$1,000 for all short stock interest, reversal, conversion,

jelly roll, and box spread strategies executed on the same trading day.⁵ The Exchange proposes to include dividend strategies in the daily Strategy QOO Order Fee Cap and Rebate. As such, Floor Participant transactions will also be capped at \$1,000 for all dividend strategies executed on the same trading day in the same options class. The Exchange notes that the proposed fee cap is similar to a fee cap at another options exchange in the industry.⁶

Further, the Exchange proposes to include dividend strategies in the Floor Broker Strategy QOO Rebate. As proposed, on each trading day, Floor Brokers are eligible to receive a \$500 rebate for presenting certain Strategy QOO Orders on the Trading Floor. The rebate will be applied once the \$1,000 fee cap is met for dividend strategies executed on the same trading day in the same options class.

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,⁷ 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 including dividend strategies in Section II.D of the BOX Fee

⁵ Short stock interest, reversal, conversion, jelly roll and box spread transactions are not included in the monthly fee cap for Broker Dealers. The Exchange notes that dividend strategies will not be included in the monthly fee cap for Broker Dealers.

⁶ See Nasdaq Phlx LLC (“Phlx”) Fee Schedule. On Phlx, Specialist, Market Makers, Professionals, Firms and Broker-Dealers receive a fee cap of \$1,500 for a [sic] dividend, merger and short stock interest strategies executed on the same trading day in the same options class when such members are trading in their own proprietary account.

⁷ 15 U.S.C. 78f(b)(4) and (5).

Schedule is reasonable, as another exchange offers fee caps for dividend strategies.⁸ On Phlx, Specialist, Market Makers, Professionals, Firms and Broker-Dealers receive a fee cap of \$1,500 for a [sic] dividend, merger and short stock interest strategies executed on the same trading day in the same options class when such members are trading in their own proprietary account. The Exchange also notes that the Phlx fee cap is broader in that it applies to dividend, merger and short stock interest strategies collectively. As discussed herein, the Exchange proposes a separate cap for dividend strategies. The Exchange believes this difference is appropriate as dividend strategies must execute in the same options class where the other strategies in the BOX Fee Schedule are not subject to the same requirement. As such, the Exchange believes it is reasonable and appropriate to separate dividend strategies from the other strategies in the BOX Fee Schedule. Further, the Exchange believes that including dividend strategies in the Strategy QOO Order rebate is appropriate as Floor Brokers are eligible to receive a \$500 rebate for presenting all other strategies to the BOX Trading Floor.

The Exchange believes the proposed fee cap for dividend strategies is equitable and not unfairly discriminatory because it provides incentives for all Participants to submit these types of strategy orders to the BOX Trading Floor, which brings increased liquidity and order flow to the floor for the benefit of all market participants. Further, the Exchange believes that including dividend strategies in the Strategy QOO Order rebate is equitable and not unfairly discriminatory as the rebate is available to all Floor Brokers who submit such orders to the BOX Trading Floor.

⁸ See supra note 6. The Exchange notes that it is not including the Phlx requirement that the Participant be trading in their own proprietary account as this is not the BOX strategy fee cap model and is not a requirement for the other strategies on the BOX Fee Schedule.

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 because the proposed change applies uniformly to all Participants that incur transaction fees for dividend strategies. Further, another options exchange today offers a cap on dividend strategies; therefore, the Exchange believes that the proposal is consistent with robust competition and does not provide any unnecessary burden on competition. Further, because Floor Participants pay Floor Brokers to execute trades on the Exchange Floor, the Exchange believes that offering fee caps on dividend strategies to Participants executing floor transactions and not electronic executions does not create an unnecessary burden on competition because the fee cap defrays brokerage costs associated with executing dividend strategy transactions, similar to other strategies today.

The Exchange operates in a highly competitive market in which market participants can easily and readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or rebates to be inadequate. Accordingly, the fee cap and Floor Broker rebate for dividend strategies proposed by the Exchange, as described in the proposal, are influenced by these robust market forces and therefore must remain competitive with fee caps at other venues and therefore must continue to be reasonable and equitably allocated to those Participants that opt to direct orders to the Exchange rather than competing venues.

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 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-2019-11 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-2019-11. 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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2019-11, 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.¹¹

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Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).

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