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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-86334; File No. SR-BOX-2019-23]**

**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 for Certain PIP and COPIP Transactions**

July 9, 2019

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 June 28, 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,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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”) facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on July 1, 2019. The text of the proposed rule change is available from the principal office of the Exchange, at the

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

<sup>4</sup> 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.

PIP and COPIP Transactions

The Exchange first proposes to amend certain PIP and COPIP transaction fees for Professional Customers, Broker Dealers and Market Makers in Section I.B of the BOX Fee Schedule. Specifically, the Exchange proposes to increase Improvement Order<sup>5</sup> fees for Professional Customers, Broker Dealers, and Market Makers in Penny Pilot Classes from \$0.12 to \$0.16 and decrease the Improvement Order fees for Professional Customers, Broker Dealers and Market Makers in Non-Penny Pilot Classes from \$0.38 to \$0.34.

Liquidity Fees and Credits

The Exchange then proposes to amend Section III.A of the BOX Fee Schedule, Liquidity Fees and Credits, for PIP and COPIP Transactions. Specifically, the Exchange proposes to

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<sup>5</sup> An Improvement Order is a response to a PIP or COPIP auction.

increase the fees and credits for PIP and COPIP transactions in Non-Penny Pilot Classes and decrease the fees and credits for PIP and COPIP transactions in Penny Pilot Classes. Currently, under Section III.A, a Public Customer PIP or COPIP Order receives the “removal” credit, while the corresponding Primary Improvement Order and any Improvement Orders will be charged the “add” fee as shown in the following table:

	<b>Fee for Adding Liquidity</b>	<b>Credit for Removing Liquidity</b>
Non-Penny Pilot Classes	\$0.77	(\$0.77)
Penny Pilot Classes	\$0.38	(\$0.38)
SPY	\$0.45	(\$0.45)

Further, under current Section III.A., if a Non-Public Customer PIP or COPIP Order does not trade with its Primary Improvement Order, the Primary Improvement Order receives the “removal” credit and any corresponding Improvement Order responses are charged the “add” fee as shown in the following table:

	<b>Fee for Adding Liquidity</b>	<b>Credit for Removing Liquidity</b>
Non-Penny Pilot Classes	\$0.77	(\$0.77)
Penny Pilot Classes	\$0.38	(\$0.38)
SPY	\$0.45	(\$0.45)

The Exchange now proposes to raise the fees for adding liquidity in PIP and COPIP transactions to \$0.81 from \$0.77 in Non-Penny Pilot Classes and decrease the fees for adding liquidity in PIP and COPIP transactions in Penny Pilot Classes from \$0.38 to \$0.34. Further, the Exchange proposes to increase the credit for removing liquidity in PIP and COPIP transactions in Non-Penny Pilot Classes to \$0.81 from \$0.77. Lastly, the Exchange proposes to decrease the

credit for removing liquidity in PIP and COPIP transactions in Penny Pilot Classes from \$0.38 to \$0.34.

## 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,<sup>6</sup> 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.

### PIP and COPIP Transactions

The Exchange believes that increasing the Improvement Order fees for Professional Customers, Broker Dealers and Market Makers in Penny Pilot Classes is reasonable and equitable as the proposed fees are lower than similar fees assessed at other options exchanges in the industry.<sup>7</sup> The Exchange further believes that decreasing Improvement Order fees for Professional Customers, Broker Dealers and Market Makers in Non-Penny Pilot Classes is reasonable and equitable as the proposed fees are lower than similar fees assessed at other options exchanges in the industry.<sup>8</sup> Further, the Exchange believes that the proposed changes are reasonable as they will incentivize Participants to send Non-Penny Pilot issues to the Exchange which in turn will result in increased liquidity in these issues on the Exchange. As such, the

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<sup>6</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>7</sup> See Nasdaq Phlx LLC (“Phlx”) Pricing Schedule, where Market Maker or Specialist Responders to the PIXL are charged \$0.25 for Penny Pilot Classes and where all other non-Customer Responders are charged \$0.48 for Penny Pilot Classes. See also Miami International Securities Exchange LLC (“MIAX”) Fee Schedule, where all responders are charged \$0.50 for Penny Pilot Classes.

<sup>8</sup> At Phlx, Market Maker responders to the PIXL are charged \$0.40 for Non-Penny Pilot Classes and all other non-Customer responders are charged \$0.70 for Non-Penny Pilot Classes. At MIAX, all responders are charged \$0.99 for Non-Penny Pilot Classes.

Exchange believes that the increased order flow in Non-Penny Pilot issues will benefit all market participants as the new order flow will result in increased opportunity to trade in these names on BOX. Further, the Exchange notes that submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange. As such, the Exchange believes that proposed changes discussed herein are reasonable and consistent with the Act.

Further, the Exchange believes that the proposed fees are not unfairly discriminatory as they apply to all Professional Customers, Broker Dealers and Market Makers submitting Improvement Orders to the PIP and COPIP auction mechanisms. Further, the Exchange believes it is equitable and not unfairly discriminatory to charge Public Customers less than Non-Public Customers for their Improvement Orders. The practice of incentivizing Public Customer order flow is common in the options market. While Penny Pilot Classes are typically more actively traded, the Exchange believes that the proposed Improvement Order fees for Non-Penny Pilot Classes will incentivize order flow in Non-Penny Pilot issues on the Exchange, ultimately benefitting all Participants trading on BOX.<sup>9</sup>

#### Liquidity Fees and Credits

The Exchange believes that the changes to the PIP and COPIP transaction liquidity fees and credits are equitable and not unfairly discriminatory in that they apply to all categories of participants and across all account types. The Exchange notes that liquidity fees and credits on BOX are meant to offset one another in any particular transaction. The liquidity fees and credits

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<sup>9</sup> The Exchange continues to believe that despite the slight increase in fees for Improvement Orders in Penny Pilot Classes, the proposed fees will continue to incentivize Improvement Order flow in Penny Pilot issues as the Exchange's Improvement Order fees are substantially lower than other exchanges in the industry. See supra note 7.

do not directly result in revenue to BOX, but simply allow BOX to provide incentives to Participants to attract order flow. As such, the Exchange believes that the proposed changes to the liquidity fees and credits for PIP and COPIP transactions are reasonable, equitable and not unfairly discriminatory.

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. The Exchange believes that the proposed changes in PIP and COPIP transaction fees incentivizes Participants to direct order flow to Non-Penny Pilot Classes which will promote competition in these issues on the Exchange. Further, the Exchange does not believe that the proposed changes will burden competition by creating a disparity between the fees an Initiating Participant in the PIP or COPIP auction pays and the fees a competitive responder pays that would result in certain Participants being unable to compete with initiators. In fact, the Exchange believes that these changes will not impair these Participants from adding liquidity and competing in the auction mechanisms and will help promote competition by providing incentives for market participants to submit PIP or COPIP order flow to BOX and thus, create a greater opportunity for customers to receive additional price improvement.

The Exchange believes the proposed changes to the liquidity fees and credits for PIP and COPIP transactions will not impose a burden on competition. Rather, BOX believes that the changes will result in Participants being charged and credited appropriately for their PIP and COPIP transactions and is designed to enhance competition in auction transactions on BOX by increasing order flow in Non-Penny Pilot Issues. The Exchange believes that the increased order flow in Non-Penny Pilot issues will result in more responses to the Exchange's PIP and COPIP auction

mechanisms which, in turn, will result in increased opportunity for price improvement and thus will benefit Participants on the Exchange.

The Exchange does not believe that the propose change will impose an undue burden on intra-market competition as all Participants are subject to the proposed changes discussed herein. Further, the Exchange does not believe the proposal will impose an undue burden on intermarket competition, as the proposed changes will allow BOX to compete with other exchanges in the industry. As discussed above, submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons discussed above, the Exchange believes that the proposed rule change reflects this competitive environment.

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 Act<sup>10</sup> and Rule 19b-4(f)(2) thereunder,<sup>11</sup> 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

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

<sup>11</sup> 17 CFR 240.19b-4(f)(2).

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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2019-23 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-2019-23. 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. 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-2019-23, and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Vanessa A. Countryman,**  
*Secretary.*

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

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