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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-88355; File No. SR-BOX-2020-05]

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 Amend Section V., Eligible Orders Routed to an Away Exchange

March 10, 2020.

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 March 2, 2020, 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 on the BOX Options Market LLC (“BOX”) facility. 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>.

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).

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 V., Eligible Orders Routed to an Away Exchange.

Currently, BOX uses third-party broker-dealers to route orders to other exchanges and incurs transaction fees for each order routed to and executed at an away market, as well as related costs for routing such orders. To offset the fees and costs incurred by the Exchange for orders routed to other exchanges, the Exchange charges a \$0.60 per contract fee for customer accounts.⁵ The Exchange is now proposing to amend Section V. of the BOX Fee Schedule. Specifically, the Exchange proposes to charge \$0.85 per contract for Non-Penny Pilot Classes for customer accounts. Routing Penny Pilot Classes will continue to be charged the current \$0.60 per contract fee for customer accounts. The Exchange notes that the proposed changes are in line to fees assessed at other options exchanges in the industry.⁶

⁵ The term Customer accounts includes both Professional Customers and Public Customers.

⁶ The Exchange notes that other exchanges in the industry make this distinction between routed order fees for Penny Pilot and Non-Penny Pilot Classes. See Miami International Securities Exchange LLC ("MIAX") Fee Schedule. On MIAX, routed orders for Priority

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 notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

When assessing routing fees, the Exchange has generally attempted to approximate the cost of routing to other options exchanges, including other applicable costs to the Exchange and set a flat routing fee. The Exchange believes that the proposed fee change for routing Non-Penny Pilot Classes, which is based on the approximate routing costs of these contracts, is a reasonable, equitable and not unfairly discriminatory approach to pricing. Specifically, the proposed flat routing fee for Non-Penny Pilot Classes will continue to provide Participants with certainty regarding execution costs for orders routed to away markets. Further, the Exchange believes a flat routing fee based on an approximation of the routing costs is administratively easier for the Exchange to manage for billing purposes and will allow the Exchange to avoid continually updating the routing fees every time an away market modifies transaction fees. Finally, as

Customers in Penny Pilot Classes are charged \$0.15 or \$0.65 (depending on what away market the orders are sent). Routed orders for Priority Customers in Non-Penny Pilot Classes are charged \$0.15 or \$1.00 (depending on what away market the orders are sent). Further, routed orders for Public Customers (that are not a Priority Customer) in Penny Pilot Classes are charged \$0.65. Routed orders for Public Customers (that are not a Priority Customer) in Non-Penny Pilot Classes are charged \$1.00, \$1.15, or \$1.25 (depending on what away market the orders are sent). See also Cboe Exchange, Inc. (“Cboe”) Fee Schedule.

⁷ 15 U.S.C. 78f(b)(4) and (5).

discussed above, the Exchange believes the proposal is reasonable and appropriate because the proposed routing fees are within a comparable range to that of its competitors.⁸

The Exchange believes that its proposal to assess a higher routing fee for Non-Penny Pilot Classes compared to the routing fee for Penny Pilot Classes is reasonable, equitable and not unfairly discriminatory. The Exchange notes that transactions in Non-Penny Pilot Classes are generally assessed higher fees than Penny Pilot Classes across the industry as they are typically less actively traded and have wider spreads. As such, the Exchange believes it is reasonable to charge a higher fee for routing such orders, in order to recoup the higher costs of routing and executing the Non-Penny Pilot Class orders on behalf of Participants.⁹ The Exchange notes that the current \$0.60 routing fee will remain for executions in Penny Pilot Classes.

The Exchange believes that the proposed Routing Fees furthers the objectives of Section 6(b)(5) of the Act and are designed to promote just and equitable principles of trade and are not unfairly discriminatory because they seek to recoup costs that are incurred by the Exchange when routing orders to away markets on behalf of Participants. Each destination market's transaction charge varies and there is a cost incurred by the Exchange when routing orders to away markets. The costs to the Exchange primarily include transaction fees assessed by the away markets to which the Exchange routes orders, in addition to the Exchange's clearing costs, administrative, regulatory and technical costs associated with routing orders. The Exchange believes that the proposed change would better enable the Exchange to recover the costs it incurs to route orders to away markets. The Exchange notes that routing through the Exchange is voluntary. The Exchange also believes that the proposed fees for orders routed to

⁸ See supra note 6.

⁹ The Exchange again notes that another exchange charges similar fees for Non-Penny Pilot Classes routed to an away exchange. Id.

and executed at away options exchanges is fair and equitable and not unreasonably discriminatory in that it applies equally to all Participants.

The Exchange reiterates that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels to be excessive or providers of routing services if they deem fee levels to be excessive. Finally, the Exchange notes that it constantly evaluates its routing fees, including profit and loss attributable to routing and would consider future adjustments to the proposed fee to the extent it was recouping a significant profit or loss from routing to away options exchanges.

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. As discussed herein, the Exchange's proposed fees are similar to those assessed by other options exchanges.¹⁰ Further, the Exchange believes that the proposed change will assist the Exchange in recouping costs for routing orders to other options exchanges on behalf of its Participants in a manner that that reflects pricing changes by various options exchanges as well as increases to other routing costs incurred by the Exchange. The Exchange also notes that Participants may choose to designate their orders as ineligible for routing to avoid incurring routing fees.¹¹

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

¹⁰ Id.

¹¹ See BOX Rule 15030 (describing the routing process, which requires orders to be designated as eligible for routing).

Exchange Act¹² and Rule 19b-4(f)(2) thereunder,¹³ 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-2020-05 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-2020-05. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

¹² 15 U.S.C. 78s(b)(3)(A)(ii).

¹³ 17 CFR 240.19b-4(f)(2).

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-2020-05, 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.¹⁴

J. Matthew DeLesDernier,
Assistant Secretary.

¹⁴ 17 CFR 200.30-3(a)(12).

[FR Doc. 2020-05240 Filed: 3/13/2020 8:45 am; Publication Date: 3/16/2020]