December 16, 2013

*Via E-mail and FedEx*

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**Re:  File No. SR-BOX-2013-43, Amendment No. 1**

Dear Ms. Murphy:

As a courtesy to commenters, attached is Amendment No. 1 to the above-referenced proposed rule change that was filed with the Securities and Exchange Commission earlier today.

If you have any questions, please contact me at (███████████

Sincerely,

Lisa J. Fall
President

Attachment

*Required fields are shown with yellow backgrounds and asterisks.*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2013 - * 43

Amendment No. (req. for Amendments *) 1

Filing by   BOX Options Exchange LLC.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

| Initial * ☐ | Amendment * ☑ | Withdrawal ☐ | Section 19(b)(2) * ☑ | Section 19(b)(3)(A) * ☐ | Section 19(b)(3)(B) * ☐ |
|---|---|---|---|---|---|

Rule

| Pilot ☐ | Extension of Time Period for Commission Action * ☐ | Date Expires * |
|---|---|---|

| 19b-4(f)(1) ▣ | 19b-4(f)(4) ▣ |
|---|---|
| 19b-4(f)(2) ▣ | 19b-4(f)(5) ▣ |
| 19b-4(f)(3) ▣ | 19b-4(f)(6) ▣ |

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

| Section 806(e)(1) * ☐ | Section 806(e)(2) * ☐ | Section 3C(b)(2) * ☐ |
|---|---|---|

Exhibit 2 Sent As Paper Document ▣

Exhibit 3 Sent As Paper Document ▣

## Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

## Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Alanna          Last Name * Barton

Title * Counsel

E-mail * abarton@boxregulation.com

Telephone * (617) 235-2239          Fax

## Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date   12/16/2013

By   Alanna Barton

Counsel

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form.  A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Persona Not Validated - 1361544342214,

*Required fields are shown with yellow backgrounds and asterisks.*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.  20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information ***

Add    Remove    View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change ***

Add    Remove    View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable).  The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision.  For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote.  All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote.  All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx).  A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed.  See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies ***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable).  The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote.  All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote.  All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed.  See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document
☐

Copies of notices, written comments, transcripts, other communications.  If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add    Remove    View

Exhibit Sent As Paper Document
☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing.  The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4.  Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face.  Such partial amendment shall be clearly identified and marked to show deletions and additions.

**PARTIAL AMENDMENT**

BOX Options Exchange LLC (the "Exchange") submits this Amendment No. 1 (the "Amendment") to rule filing SR-BOX-2013-43 (the "Rule Filing") in which the Exchange proposes to amend its rules to permit Complex Orders to participate in Price Improvement Periods (the "COPIP"). The Exchange is not proposing any changes to the Rule Filing except as set forth below.

The purposes of this Amendment are (i) to supplement existing disclosure in the Rule Filing regarding certain operational details of the proposal, (ii) to include an analysis of the proposal's compliance with Section 11(a) of the Securities Exchange Act of 1934 (the "Act"), (iii) to accurately reflect rule text changed by a separate rule filing which became effective after the date of the original Rule Filing and (iv) to request accelerated approval of the rule filing.

1. The Exchange proposes to delete the penultimate sentence of each of (i) footnote 22 to Form 19b-4 on page 10 of the Rule Filing and (ii) footnote 24 in Exhibit 1 to Form 19b-4 on page 64 of the Rule Filing and to replace each with the following:

   "The Exchange recently surveyed all Participants that responded to at least one PIP during the past six months, inquiring whether the 100 milliseconds duration for the COPIP provided adequate time to respond. The Exchange received responses from eighty percent of the Participants contacted, all of which indicated they believe they will be able to receive, process, and communicate multiple COPIP Broadcast responses back to BOX within substantially less than 100 milliseconds."

2. The Exchange proposes to delete each of (i) the text of Form 19b-4 contained in the first two full paragraphs on page 45 of the Rule Filing and (ii) the two paragraphs in Exhibit 1 to Form 19b-4 beginning with the last two lines of page 98 and continuing onto page 99 of the Rule Filing and to replace each with the following text and to renumber subsequent footnotes in the Rule Filing accordingly:

   Overlapping Auctions

   The Exchange currently prohibits PIP auctions to run simultaneously.[63] Similarly, the

   Exchange proposes to prohibit multiple auctions on the same Complex Order Strategy. A

   COPIP will not run simultaneously with another COPIP in the same Complex Order

   Strategy, nor will COPIPs interact, queue or overlap in any manner. Any request to

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[63] See IM-7150-3.

initiate a COPIP while a COPIP is already in progress in the same Strategy will be rejected.[64]

Upon adoption of the proposal, the Exchange will operate price improvement auctions in both single options series and Complex Orders.[65] The Exchange proposes that BOX will accept orders designated for the PIP on a single option series where a COPIP on a Complex Order Strategy that includes such series may be in progress. BOX will also accept Complex Orders designated for the COPIP where a PIP on either of the component series may be in progress.[66] Order execution at the conclusion of such PIPs will occur as described in the PIP rules[67] and Complex Order execution at the conclusion of such COPIPs will occur as set forth in the proposed Rule 7245.

BOX's current rules provide that, when an Unrelated Order on a single option series is submitted to BOX, it first interacts with an ongoing PIP, if any, prior to being entered on the BOX Book.[68] Any unexecuted quantity of the order remaining after interacting with the PIP is then filtered as provided in Rule 7130(b) prior to entry on the BOX Book.[69] Once entered on the BOX Book, the order may be combined with other orders

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[64] See proposed IM-7245-3.

[65] Processes on the BOX system are sequential, which means all orders receive a unique time stamp. As a result, no two orders (including PIP Orders and COPIP Orders) or events may be treated as occurring simultaneously on the BOX system.

[66] See proposed IM-7245-3.

[67] PIP execution rules are set forth in Rule 7150.

[68] See Rule 7150(i) for Unrelated Orders on the same side as the PIP Order. See Rule 7150(j) for Unrelated Orders on the opposite side of the PIP Order.

[69] Rules 7150(i) and 7150(j) each provide that, after the Unrelated Order interacts with the PIP, any remainder of the Unrelated Order is filtered pursuant to Rule 7130(b). Rule 7130(b) describes the filtering process used by the BOX Trading Host to ensure that the Unrelated Order will not execute outside the NBBO price (See Rule 7130(b)(1)). Upon completion of the filtering process, Rule 7130(b)(4)(i) provides that any remainder of the Unrelated Order is entered on the BOX Book.

on other single options series (thereby becoming BOX Book Interest)[70] and, as such, will be available to interact with the Complex Order Book, including any ongoing COPIP, if possible.

The proposed COPIP rules provide that when an Unrelated Order that is a Complex Order is submitted to BOX, it first interacts with an ongoing COPIP, if any, prior to being entered on the Complex Order Book.[71] Any unexecuted quantity of the Complex Order remaining after interacting with the COPIP is then filtered as provided in Rule 7240(b)(3) prior to entry on the Complex Order Book.[72] The Exchange's current Complex Order rules provide that one or more Legging Orders will be generated from Complex Orders on the BOX Book if the other leg for the Complex Order can be executed on BOX at the NBBO for the series.[73] Once a Legging Order is generated, it will be available to interact with the BOX Book, including any ongoing PIP, if possible.[74]

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[70] See proposed Rule 7245(a)(3).

[71] See proposed Rule 7245(h) for Unrelated Orders on the same side as the COPIP Order. See proposed Rule 7245(i)(1) for Unrelated Orders on the opposite side of the COPIP Order.

[72] Rules 7245(h) and 7245(i)(3) each provide that, after the Unrelated Order interacts with the COPIP, any remainder of the Unrelated Order is filtered pursuant to Rule 7240(b)(3)(iii). Rule 7240(b)(3)(iii) describes the filtering process used by the BOX Trading Host. Upon completion of the filtering process, Rule 7240(b)(3)(iii) provides that any remainder of the Unrelated Order is entered on the Complex Order Book.

[73] See Rule 7240(c)(1).

[74] Rule 7240(c)(1) describes how Legging Orders are priced and ranked on the BOX Book and displayed and executed on BOX. Rule 7150(i) describes how Legging Orders on the same side as the PIP Order may immediately execute against a PIP and Rule 7150(j) describes how Legging Orders on the opposite side of the PIP Order may immediately execute against a PIP. Rule 7150(f)(3) describes how Legging Orders are executed at the conclusion of a PIP.

## Example 10:  Orders Received During Overlapping PIP and COPIP

For each of Examples 10(a), (b), (c) and (d) below, suppose each of the BOX Book for Instrument A, the BOX Book for Instrument B, and the Complex Order Book for Strategy A+B initially is as follows:

**Orders for Instrument A:**

Order to buy 10 at $1.00                                Order to sell 10 at $1.03

Legging Order to buy 10 at $0.96               Legging Order to sell 10 at $1.07

**Orders for Instrument B:**

Order to buy 15 at $1.01                                Order to sell 10 at $1.04

Legging Order to buy 10 at $0.97               Legging Order to sell 10 at $1.08

**Orders for Strategy A+B:**

Implied Order to buy 10 at $2.01                 Implied Order to sell 10 at $2.07

Complex Order to buy 10 at $2.00              Complex Order to sell 10 at $2.08

Suppose further that a PIP is underway on Instrument A, and a COPIP is underway on Strategy A+B, as follows:

**PIP on Instrument A:**

Primary Improvement Order to buy 5 at $1.01         PIP Order to sell 5

**COPIP on Strategy A+B:**

Primary Improvement Order to buy 5 at $2.02         COPIP Order to sell 5

## Example 10(a):   Single Option Instrument Order Received During PIP and COPIP on

## Same Side as PIP Order

Assuming the initial scenario in Example 10, suppose an Unrelated Order to sell 4 contracts of Instrument A at $1.00 is received.

Because the Unrelated Order is executable against the opposite side order to buy 10 contracts of Instrument A at $1.00, the PIP on Instrument A terminates early and the PIP Order on Instrument A executes fully against its Primary Improvement Order at $1.01.  Next, the Unrelated Order to sell 4 contracts of Instrument A at $1.00 fully executes against the Order to buy 10 contracts of Instrument A at $1.00.

Note: If the Unrelated Order had been to sell 15 contracts at $1.00, it would have executed against the Order to buy 10 contracts of Instrument A at $1.00 and the remaining quantity of the Unrelated Order would have been entered on the BOX Book as an Order to sell 5 contracts of Instrument A at $1.00.  Upon being entered on the BOX Book, the remaining Unrelated Order would, in turn, have combined with the existing sell order on Instrument B to generate an Implied Order to sell 5 A+B at $2.04.

**Example 10(b):   Single Option Instrument Order Received During PIP and COPIP on**

**Opposite Side of PIP Order**

Assuming the initial scenario in Example 10, suppose an Unrelated Order to buy 4 contracts of Instrument A at $1.03 is received.

Because the Unrelated Order is executable against the best offer on the BOX Book, the Order to sell 10 contracts of Instrument A at $1.03, it trades against the PIP Order immediately at $1.02[75] and the PIP continues for the remaining 1 contract.

Note:  If the Unrelated Order had been to buy 17 contracts of Instrument A at $1.03, the Unrelated Order would have executed against the PIP Order for its full 5 contracts of Instrument A at $1.02, then against the Order on the BOX Book to sell 10 contracts of Instrument A at $1.03, leaving two remaining contracts from the Unrelated Order. Consequently, an Order to buy the two remaining contracts would have been entered on the BOX Book for Instrument A and would, in turn, have combined with the existing Order to buy 10 contracts of Instrument B at $1.01 to generate an Implied Order to buy 2 A+B at $2.04.

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[75] The Unrelated Order is immediately executed against the PIP Order at a price that is one penny better than the NBBO, as provided in Rule 7150(j)(i).

**Example 10(c):** **Complex Order Received During PIP and COPIP on Same Side as**

**COPIP Order**

Assuming the initial scenario in Example 10, suppose an Unrelated Order that is a Complex Order to sell 4 A+B at $2.01 is received.

Because the Unrelated Order is executable against the Implied Order, the COPIP on Strategy A+B terminates early and the COPIP Order on Strategy A+B executes fully against its Primary Improvement Order at $2.02. Next, the Unrelated Order fully executes against the Implied Order to buy 10 A+B at $2.01.

Note: If the Unrelated Order had been to sell 15 A+B at $2.01, it would have executed against the Implied Order to buy 10 A+B at $2.01 and the remaining quantity of the Unrelated Order would have been entered on the Complex Order Book as a Complex Order to sell 5 A+B at $2.01. Upon being entered on the Complex Order Book, the remaining Unrelated Order would have generated a Legging Order on Instrument A to sell 5 contracts of Instrument A at $1.00. Because the Legging Order generated on Instrument A would have been executable against the Primary Improvement Order on Instrument A, the Legging Order would have caused the PIP on Instrument A to terminate early.

**Example 10(d):   Complex Order Received During PIP and COPIP on Opposite Side of**

**COPIP Order**

Assuming the initial scenario in Example 10, suppose an Unrelated Order that is a Complex Order to buy 4 A+B at $2.07 is received.

Because the Unrelated Order is executable against the best offer on the Complex Order Book (the Implied Order to sell 10 A+B at $2.07) it trades against the COPIP Order immediately at $2.06[76] and the COPIP continues for the remaining 1 strategy.

Note:  If the Unrelated Order had been to buy 20 A+B at $2.07, the Unrelated Order would have executed against the COPIP Order for its full 5 strategies at $2.06, then against the Implied Order to sell 10 A+B at $2.07, leaving 5 remaining strategies from the Unrelated Order.  Consequently, an Order to buy the 5 remaining strategies would have been entered on the Complex Order Book.

<center>*       *       *       *       *</center>

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[76] The Unrelated Order is immediately executed against the COPIP Order at a price that is one penny better than the cBBO, as provided in proposed Rule 7245(i)(1)(i).

A single option instrument simultaneously may be a component of more than one different Complex Order Strategy. Because a COPIP may be initiated on each different Strategy, multiple COPIPs sharing the same component single option instrument may run simultaneously. In this case, BOX Book Interest will generate, assuming that the necessary prices and quantities exist on each leg, an Unrelated Order on each such Strategy to interact with each of the ongoing COPIPs. In the event the same order on the BOX Book could interact with multiple COPIPs simultaneously, the order will interact with the COPIP on the Strategy for which the greatest difference exists between the price of the resulting BOX Book Interest and the corresponding best price Complex Order on the Complex Order Book on the same side as the COPIP Order. If this calculation produces the same result for each COPIP, then the order will interact with the COPIP on the Strategy that was created first on the BOX System.[77]

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[77] See proposed IM-7245-3(b).

## Example 11:  Overlapping COPIPs

Suppose the BOX Book for each of the single option instruments A, B and C, and the Complex Order Book for each of Strategies A+B and A+C, are as follows:

**Orders for Instrument A:**

| | |
|---|---|
| Order to buy 10 @ $1.00 | Legging Order to sell 10 @ $1.10 |
| Legging Order to buy 10 @ $0.97 | Legging Order to sell 10 @ $1.12 |
| Legging Order to buy 10 @ $0.96 | Order to sell 10 @ $1.15 |

**Orders for Instrument B:**

| | |
|---|---|
| Order to buy 10 @ $0.96 | Order to sell 10 @ $1.04 |
| Legging Order to buy 10 @ $0.85 | Legging Order to sell 10 @ $1.08 |

**Orders for Instrument C:**

| | |
|---|---|
| Order to buy 10 @ $1.00 | Legging Order to sell 10 @ $1.10 |
| Legging Order to buy 10 @ $0.85 | Order to sell 10 @ $1.13 |

**Orders for Strategy A+B:**

| | |
|---|---|
| Complex Order to buy 10 @ $2.00 | Complex Order to sell 10 @ $2.08 |
| Implied Order to buy 10 @ $1.96 | Implied Order to sell 10 @ $2.19 |

**Orders for Strategy A+C:**

| | |
|---|---|
| Complex Order to buy 10 @ $2.00 | Complex Order to sell 10 @ $2.10 |
| Implied Order to buy 10 @ $2.00 | Implied Order to sell 10 @ $2.28 |

Suppose that COPIPs are underway on each of Strategies A+B and A+C, as follows:

**COPIP on Strategy A+B:**

Primary Improvement Order to buy 5 @ $2.01       COPIP Order to sell 5

**COPIP on Strategy A+C:**

Primary Improvement Order to buy 5 @ $2.02       COPIP Order to sell 5

Suppose further that, while each COPIP remains underway, a Complex Order to sell 5 A+B at $2.03 and a Complex Order to sell 5 A+C at $2.06 are each received and exposed but not yet entered on the Complex Order Book.[78]

The orders on Strategies A+B and A+C are now as follows:

**Orders for Strategy A+B:**

| | |
|---|---|
| Primary Improvement Order to buy 5 @ $2.01 | COPIP Order to sell 5 |
| Complex Order to buy 10 @ $2.00 | Exposed Complex Order to sell 5 @ $2.03 |
| Implied Order to buy 10 @ $1.96 | Complex Order to sell 10 @ $2.08 |
| | Implied Order to sell 10 @ $2.19 |

**Orders for Strategy A+C:**

| | |
|---|---|
| Primary Improvement Order to buy 5 @ $2.02 | COPIP Order to sell 5 |
| Implied Order to buy 10 @ $2.00 | Exposed Complex Order to sell 5 @ $2.06 |
| Complex Order to buy 10 @ $2.00 | Complex Order to sell 10 @ $2.10 |
| | Implied Order to sell 10 @ $2.28 |

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[78] Each of these orders are exposed upon submission to BOX, prior to being entered on the Complex Order Book, pursuant to the Complex Order Filter described in Rule 7240(b)(3)(iii).

Suppose further that an order to buy 5 contracts of Instrument A @ $1.07 is subsequently entered on the BOX Book while the COPIPs remain underway, which results in the generation of both an Implied Order to buy 5 A+B at $2.03 and an Implied Order to buy 5 A+C at $2.07, each of which is treated as an Unrelated Order by the corresponding COPIP.

The orders on Strategies A+B and A+C are now as follows:

**Orders for Strategy A+B:**

| | |
|---|---|
| Primary Improvement Order to buy 5 @ $2.01 | COPIP Order to sell 5 |
| Implied Order to buy 5 @ $2.03 | Exposed Complex Order to sell 5 @ $2.03 |
| Complex Order to buy 10 @ $2.00 | Complex Order to sell 10 @ $2.08 |
| | Implied Order to sell 10 @ $2.19 |

**Orders for Strategy A+C:**

| | |
|---|---|
| Primary Improvement Order to buy 5 @ $2.02 | COPIP Order to sell 5 |
| Implied Order to buy 5 @ $2.07 | Exposed Complex Order to sell 5 @ $2.06 |
| Complex Order to buy 10 @ $2.00 | Complex Order to sell 10 @ $2.10 |
| | Implied Order to sell 10 @ $2.28 |

The Implied Order to buy 5 A+B at $2.03 can match against the exposed Complex Order to sell 5 A+B at $2.03 and the Implied Order to buy 5 A+C at $2.07 can match against the exposed Complex Order to sell 5 A+C at $2.06.[79]  However, only one of the Implied Orders can actually be executed because each depends on the same underlying order on Instrument A.  To determine which Implied Order will be executed, the BOX system calculates the difference between the price of each Implied Order and the applicable best price Complex Order on the Complex Order Book on the same side as the COPIP Order.  In this case, for Strategy A+B, the Implied Order is priced at $2.03 and the applicable best price Complex Order on the Complex Order Book on the same side as the COPIP Order is also $2.03, resulting in a difference of $0.00.  For Strategy A+C, the Implied Order is priced at $2.07, while the best price Complex Order on the Complex Order Book on the same side as the COPIP Order is $2.06, resulting in a difference of $0.01.  As a result, the Implied Order for Strategy A+C will be executed against the COPIP on Strategy A+C.[80]  The execution price for such order will be $2.07.[81]

The Implied Order on A+C will be executed against the COPIP Order on Strategy A+C at the BOX Book Interest price of $2.07.[82]  Following the execution on Strategy A+C, the Implied Order on Strategy A+B will no longer exist.

<p style="text-align:center">*     *     *     *     *</p>

[79] These scenarios are described in proposed Rule 7245(i)(2) in which "an Unrelated Order that is BOX Book Interest is generated on the opposite side of the COPIP order, such that it would cause an execution to occur prior to the end of the COPIP" for each of Strategies A+B and A+C.

[80] See proposed IM-7245-3(b), which explains how the BOX Trading Host determines which COPIP, in this kind of scenario, will interact with the BOX Book.  Note that this determination is for the purpose of identifying the Strategy with which the BOX Book Interest will interact and not the price at which the actual execution will occur. The actual execution price is identified in proposed Rule 7245(i)(2).

[81] See proposed Rule 7245(i)(2).

[82] See proposed Rule 7245(i)(2), which provides that the execution in this scenario will be "at a price equal to the BOX Book Interest price."  In this example, the BOX Book Interest is the Implied Order to buy 5 A+C and the price is $2.07.

3.  The Exchange proposes to insert the following at the end of proposed IM-7245-2(b) in Exhibit 5 to Form 19b-4 on page 122 of the Rule Filing:

    "Without limiting the foregoing, such conduct inconsistent with just and equitable principles of trade shall include submission of an order on the BOX Book by a Participant, during a COPIP initiated by the Participant, for the purpose of disrupting or manipulating the COPIP."

4.  The Exchange proposes to amend proposed IM-7245-3 in Exhibit 5 to Form 19b-4 on page 123 of the Rule Filing by deleting the text in brackets and inserting the underlined text as shown below:

    "**IM-7245-3**
    (a) A COPIP will not run simultaneously with another COPIP [in]on the same Complex Order Strategy, nor will COPIPs on the same Strategy interact, queue or overlap in any manner.  Any request to initiate a COPIP while a COPIP is already in progress in the same Strategy will be rejected.

    (b) BOX may accept a request to initiate a COPIP on a Strategy that shares one or more, but not all, component single option series with another Strategy for which an ongoing COPIP is underway.  In the event the same order on the BOX Book could interact with multiple COPIPs simultaneously, the order will interact with the COPIP on (i) the Strategy for which the greatest difference exists between the price of the resulting BOX Book Interest and the corresponding best price Complex Order on the Complex Order Book on the same side as the COPIP Order or, (ii) if the calculation in (i) above produces the same result for each COPIP, the Strategy that was created first on the BOX System.

    (c) BOX will accept[, however,] orders designated for the PIP on a single option series where a COPIP on a Complex Order Strategy that includes such series may be in progress.  BOX will also accept Complex Orders designated for the COPIP where a PIP on either of the component series may be in progress.  Order execution at the conclusion of such PIPs shall occur as set forth in Rule 7150 and Complex Order execution at the conclusion of such COPIPs shall occur as set forth in Rule 7245."

5. The Exchange proposes to insert the following text immediately prior to each of (i) the text of Form 19b-4 contained in the first full paragraph on page 55 of the Rule Filing and (ii) the second full paragraph in Exhibit 1 to Form 19b-4 on page 108 of the Rule Filing and to renumber footnotes in the Rule Filing accordingly:

*Section 11(a)*

Section 11(a)(1) of the Act[83] prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or an account over which it or its associated person exercises discretion (collectively, "covered accounts"), unless an exception applies. The purpose of Section 11(a) is to address trading advantages enjoyed by the exchange members and conflicts of interest in money management.[84] In particular, as the Commission has stated, Congress enacted Section 11(a) out of concern about members benefiting in their principal transactions from special "time and place" advantages associated with floor trading – such as the ability to "execute decisions faster than public investors."[85]

Section 11(a) includes several exceptions from the general prohibition for principal transactions that contribute to the fairness and orderliness of exchange transactions or do not reflect any time and place advantages. For example, Section 11(a)(1) provides that the prohibition on principal transactions does not apply to transactions by a dealer acting in the capacity of a market maker,[86] bona fide arbitrage,

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[83] 15 U.S.C. 78k(a)(1).

[84] See Securities Reform Act of 1975, Report of the House Comm. On Interstate and Foreign Commerce, H.R. Rep. No. 94-123, 94th Cong., 1st Sess. (1975); Securities Acts Amendments of 1975, Report of the Senate Comm. on Banking, Housing, and Urban Affairs, S. Rep. No. 94-75, 94th Cong., 1st Sess. (1975).

[85] See Securities Exchange Act Release Nos. 14563 (March 14, 1978), 43 FR 11542, 11543 (March 17, 1978); 14713 (April 27, 1978), 43 FR 18557 ("April 1978 Release"); 15533 (January 29, 1979), 44 FR 6084 ("1979 Release").

[86] Section 11(a)(1)(A).

risk arbitrage or hedge transactions,[87] transactions by an odd lot dealer,[88] and transactions made to offset errors.[89]

The Commission has stated that it believes that transactions effected through the BOX PIP are consistent with the requirements in Section 11(a) of the Act. Other than with respect to quotes and orders on the BOX Book prior to the PIP Broadcast, which the Commission has stated are consistent with Section 11(a) and Rule 11a2-2(T) thereunder, the Commission has stated that transactions effected through the PIP are consistent with Section 11(a) and Rule 11a1-1(T) thereunder because Options Participants that are not market makers are required to yield priority in the PIP to non-member orders, (i.e., to Public Customer Orders and non-BOX Participant broker-dealer orders) at the same price.[90] Note that Participants, however, in addition to yielding priority to non-member orders at the same price, must also meet the other requirements under Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder (or satisfy the requirements of another exception) to effect transactions for their own accounts.

For the reasons set forth below, the Exchange believes that BOX Option Participants effecting transactions through the proposed COPIP, like transactions currently effected through the PIP, will satisfy the requirements of Section 11(a) of the Act. The Exchange believes the proposed COPIP rules are similarly consistent with

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[87] Section 11(a)(1)(D).

[88] Section 11(a)(1)(B).

[89] Section 11(a)(1)(F).

[90] See Securities Exchange Act Release No. 66871 (April 27, 2012), 77 FR 26323, at 26336 (May 3, 2012), In the Matter of the Application of BOX Options Exchange LLC for Registration as a National Securities Exchange Findings, Opinion, and Order of the Commission (the "BOX Approval Order"). See also Securities Exchange Act Release No. 49068 (January 13, 2004), 69 FR 2775, at 2790 (January 20, 2004) (establishing, among other things, the Boston Options Exchange, LLC options trading facility of BSE). See Securities Exchange Act Release No. 68177 (November 7, 2012), 77 FR 67851, at 67851 (November 14, 2012) (the "November 2012 Order").

Section 11(a) of the Act under the Commission's analysis of the PIP[91] because the proposed COPIP rules will continue to cause Complex Orders for the account of non-Market Maker BOX Participants to yield priority to Complex Orders of non-Participants, except with respect to portions of the proposal satisfying Rule 11a2-2(T), as discussed below. The Exchange further believes that the execution against a COPIP Order of orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) will satisfy the conditions of Rule 11a2-2(T) under the Act, as described below.

Yielding -- Section 11(a)(1)(G) and Rule 11a1-1(T)

The Commission originally approved the Exchange's PIP rules in May 2012, reasoning that the PIP rules prohibited orders for the accounts of non-Market Maker BOX Options Participants from being executed prior to the execution of Public Customer Orders and non-BOX Options Participant broker-dealer orders at the same price. Because the PIP rules required BOX Options Participants that are not market makers to yield priority in the PIP to non-member orders, the Commission found that, with respect to transactions effected through the PIP process, the PIP was consistent with the requirements in Section 11(a) of the Act and Rule 11a1-1(T) thereunder.[92]

The Exchange believes that, other than with respect to the portions of the proposal that satisfy the requirements of Rule 11a2-2(T) as discussed below, the proposed COPIP is similarly consistent with Section 11(a)(1)(G) and Rule 11a1-1(T) under the Act because Complex Orders for non-Market Maker broker-dealer accounts of Options

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[91] See November 2012 Order.

[92] See BOX Approval Order. In the November 2012 Order, the Commission determined that an order on the BOX Book prior to the PIP Broadcast executing against a PIP Order is consistent with the requirements of Section 11(a) under Rule 11a2-2(T).

Participants are required to yield priority to all Public Customer Complex Orders and all non-BOX Options Participant broker-dealer Complex Orders at the same price when executing against a COPIP Order[93] and because the proposed COPIP rules require the Primary Improvement Order to yield priority to Public Customer Complex Orders and non-BOX Options Participant broker-dealer Complex Orders at the same price.[94]

Section 11(a)(1)(G) of the Act exempts, from the general prohibition set forth in Section 11(a)(1), any transaction for a member's own account, provided that: (i) such member is primarily engaged in certain underwriting, distribution, and other activities generally associated with broker-dealers and whose gross income is derived principally from such business and related activities; and (ii) the transaction is effected in compliance with the rules of the Commission, which, as a minimum, assure that the transaction is not inconsistent with the maintenance of fair and orderly markets and yields priority, parity, and precedence in execution to orders for the account of persons who are not members or associated with members of the exchange.[95] Rule 11a1-1(T) under the Act specifies that a transaction effected on a national securities exchange for the account of a member which meets the requirements of Section 11(a)(1)(G)(i) of the Act is deemed, in accordance with the requirements of Section 11(a)(1)(G)(ii), to be not inconsistent with the maintenance of fair and orderly markets and to yield priority, parity, and precedence in execution to orders for the account of non-members or persons associated with non-members of the exchange, if such transaction is effected in compliance with certain requirements. Rule 11a1-1(T)(a) provides that each of the

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[93] See proposed Rule 7245(f)(3)(ii).

[94] See proposed Rule 7245(g)(4).

[95] See 15 U.S.C. 78k(a)(1)(G).

following requirements must be met: (1) A member must disclose that a bid or offer for its account is for its account to any member with whom such bid or offer is placed or to whom it is communicated, and any member through whom that bid or offer is communicated must disclose to others participating in effecting the order that it is for the account of a member; (2) immediately before executing the order, a member (other than the specialist in such security) presenting any order for the account of a member on the exchange must clearly announce or otherwise indicate to the specialist and to other members then present for the trading in such security on the exchange that he is presenting an order for the account of a member; and (3) notwithstanding rules of priority, parity, and precedence otherwise applicable, any member presenting for execution a bid or offer for its own account or for the account of another member must grant priority to any bid or offer at the same price for the account of a person who is not, or is not associated with, a member, irrespective of the size of any such bid or offer or the time when entered.[96]

Because the proposed rules will require BOX Options Participants that are not Market Makers[97] to yield priority in the COPIP to non-Participant Complex Orders, the Exchange believes that the proposal is consistent with the requirements in Section 11(a) of the Act and Rule 11a1-1(T) thereunder. In addition to yielding priority to non-Participant Complex Orders at the same price, the Exchange notes that Participants must also meet the other requirements under Section 11(a)(1)(G) of the Act and Rule 11a1-

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[96] See 17 C.F.R. 240.11a1-1(T)(a)(1)-(3).

[97] Section 11(a)(1)(A) of the Act provides an exception to the general prohibition in Section 11(a) on an exchange member effecting transactions for its own account if such member is a dealer acting in the capacity of a market maker. See 15 U.S.C. 78k(a)(1)(A).

1(T) thereunder (or satisfy the requirements of another exception) to effect transactions for their own accounts.

Effect Versus Execute -- Rule 11a2-2(T)

The Commission previously has found that the priority and allocation rules for electronic trading on the Exchange are consistent with Section 11(a) of the Act because such rules satisfy what is known as the "effect versus execute" exemption provided by Rule 11a2-2(T) ("the Effect Versus Execute Rule").[98]  The Commission has stated that it believes that BOX Option Participants entering orders into the BOX Trading Host, excluding those transactions effected through the PIP process, will satisfy the conditions of the Effect Versus Execute Rule.[99]  Under the proposed rules, as described above, Complex Orders and BOX Book Interest may execute against COPIP Orders.[100]  For the same reasons previously determined by the Commission for electronic trading on the Exchange, the Exchange believes that the execution against a COPIP Order of orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) will also satisfy the conditions of the Effect Versus Execute Rule.

The Effect Versus Execute Rule provides exchange members with an exemption from the Section 11(a)(1) prohibition on principal trading, in addition to the exceptions delineated in the statute.  The Effect Versus Execute Rule permits an exchange member, subject to certain conditions, to effect transactions for covered accounts by arranging for an unaffiliated member to execute the transactions on the exchange.  To comply with the

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[98] See BOX Approval Order.

[99] See BOX Approval Order.

[100] See proposed Rule 7245(a)(2).

Effect Versus Execute Rule's conditions, a member: (1) may not be affiliated with the executing member; (2) must transmit the order from off the exchange floor; (3) may not participate in the execution of the transaction once it has been transmitted to the member performing the execution;[101] and (4) with respect to an account over which the member has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the rule.

The Commission has stated that these four requirements of the Effect Versus Execute Rule are "designed to put members and non-members on the same footing, to the extent practicable, in light of the purposes of Section 11(a)."[102] If a transaction meets the four conditions of the Effect Versus Execute Rule, it will be deemed to be in compliance with Section 11(a)(1) consistent with the protection of investors and the maintenance of fair and orderly markets.[103] For the reasons set forth below, the Exchange believes the structural and operational characteristics of the Complex Order Book and the BOX Book are consistent with the stated objectives of Section 11(a) of the Act, and that all users would be placed on the "same footing", as intended by the Effect Versus Execute Rule, even where orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) execute against a COPIP Order.

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[101] The member may, however, participate in clearing and settling the transaction. See Securities Exchange Act Release No. 14563 (March 14, 1978), 43 FR 11542 (March 17, 1978) (regarding the NYSE's Designated Order Turnaround System ("1978 Release")).

[102] April 1978 Release at 18560.

[103] 17 C.F.R. 240.11a2-2(T)(e).

The Commission has recognized and accommodated the functioning of electronic exchange facilities under the Effect Versus Execute Rule.[104] In addition, the Commission and its staff have permitted exchanges to sponsor innovative trading systems in reliance on the Effect Versus Execute Rule, based on the exchanges' representations that such facilities, by design, do not provide any special time and place advantage to members.[105] In particular, the Commission has stated, in the context of certain automated execution systems, that where the execution is performed on an automated basis by the facility itself, "the member would not retain any ability to control the timing of the execution or otherwise enjoy the kind of special order-handling advantages inherent in being on an exchange floor.[106] The Commission has applied the Effect Versus Execute Rule in a functional manner, taking into account the structural characteristics that distinguish the operation of an automated execution system from traditional exchange floor activities. This approach represents the sensible conclusion by the Commission and its Staff that

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[104] See Securities Exchange Act Release Nos. 61152 (December 10, 2009), 74 FR 66699 (December 16, 2009) (File No. 10-191) (Findings, Opinion, and Order of the Commission In the Matter of the Application of C2 Options Exchange, Incorporated for Registration as a National Securities Exchange) ("C2 Approval Order") at note 170; 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (File No. SR-NASDAQ-2007-004) (approval order concerning the establishment of the NASDAQ Options Market LLC ("NOM")) ("NOM Approval Order"); Order approving the rules of the Boston Options Exchange, supra n.11; 54552 (September 29, 2006) (AMEX AEMI trading system), 71 FR 59546 (October 10, 2006); 54550 (September 29, 2006), 71 FR 59563 (October 10, 2006) (Chicago Stock Exchange trading system); 54528 (September 28, 2006), 71 FR 58650 ( October 4, 2006) (International Securities Exchange trading system); and 49747 (May 20, 2004), 69 FR 30344 (May 27, 2004) (AMEX electronic options trading system)

[105] See e.g., Securities Exchange Act Release No. 44983 (October 25, 2001) (Archipelago Exchange), citing Letter from Paula R. Jensen, Deputy Chief Counsel, Division of Market Regulation, SEC, to Kathryn L. Beck, Senior Vice President, Special Counsel and Antitrust Compliance Officer, Pacific Exchange, Inc. (October 25, 2001); Letter from Larry E. Bergmann, Senior Associate Director, Division of Market Regulation, SEC, to Edith Hallahan, Associate General Counsel, Philadelphia Stock Exchange, Inc. (March 24, 1999); Letter from Catherine McGuire, Chief Counsel, Division of Market Regulation, SEC, to David E. Rosedahl, PCX (November 30. 1998); Letter from Brandon Becker, Director, Division of Market Regulation, SEC, to George T. Simon, Partner, Foley & Lardner (November 30, 1994); Securities Exchange Act Release No. 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (NYSE's Off-Hours Trading Facility (October 25, 2001).

[106] See 1979 Release at 6087.

implementation of Section 11(a) should reflect the "continuing rapid pace of economic, technological and regulatory changes in the market."[107]

The Exchange believes the execution against a COPIP Order of orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) will also satisfy the conditions of the Effect Versus Execute Rule, for the reasons set forth below.

The Effect Versus Execute Rule's first condition is that the order be executed by an exchange member that is unaffiliated with the member initiating the order.[108] The Commission has stated that this requirement is satisfied when automated exchange facilities, such as BOX, are used, so long as the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the system.[109] In considering the operation of NOM and C2, the Commission noted, while there is no independent executing exchange member, the execution of an order is automatic once it has been transmitted to the system.[110] Because the design of these systems ensures members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated executions obtained through these systems satisfy the independent execution requirement of Rule 11a2-2(T).[111]

This principle is directly applicable to BOX, including orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after

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[107] See 1979 Release at 6087.

[108] 17 C.F.R. 240.11a2-2(T)(a)(2)(i).

[109] See, e.g., C2 Approval Order, NOM Approval Order and Order approving rules of the Boston Options Exchange.

[110] See NOM Approval Order and C2 Approval Order.

[111] See NOM Approval Order and C2 Approval Order.

the COPIP Broadcast) that may execute against a COPIP Order. The design of the

Complex Order Book and the BOX Book ensures that broker-dealers do not have any

special or unique trading advantages in handling their orders after transmission to BOX.

Accordingly, the Exchange believes that a broker-dealer effecting a transaction through

the Complex Order Book prior to the COPIP Broadcast or through the BOX Book

(whether prior to or after the COPIP Broadcast), satisfies the requirement for execution

through an unaffiliated member.

The design of BOX ensures that no BOX Options Participant will enjoy any

special control over the timing of execution or special order handling advantages after

order transmission. All orders submitted to BOX, including orders on the Complex

Order Book and on the BOX Book, are centrally processed and executed automatically

by BOX. Orders sent to BOX are transmitted from remote terminals directly to the

system by electronic means. Once an order is submitted to BOX, the order is executed

against one or more other orders based on the established matching algorithms of the

Exchange. Under the proposed rules, orders on the Complex Order Book prior to the

COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast)

may also trade with one or more other orders, including COPIP Orders, based on the

established matching algorithms of the Exchange. The execution does not depend on the

Options Participant but rather upon what other orders are entered into BOX at or around

the same time as the subject order, what orders are on the Complex Order Book and on

the BOX Book, whether a PIP or COPIP is initiated and where the order is ranked based

on the priority ranking algorithm. At no time following its submission of an order to

BOX will an Options Participant be able to acquire control or influence over the result or

timing of order execution. Accordingly, Participants do not control or influence the result or timing of execution of orders submitted to BOX, including on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast), even if such an order were to match with a COPIP Order. Orders will be ranked and maintained on the Complex Order Book and on the BOX Book according to established automatic priority rules. A Participant relinquishes any ability to influence or guide the execution of its order at the time the order is transmitted into the BOX system. Trades will execute when orders or quotations entered on BOX match one another, and the priority of orders at the same price will be determined, according to an established algorithm based on the order's characteristics determined at time it is entered.[112]

Upon adoption of the proposal, the execution against a COPIP Order of orders on the Complex Order Book prior to the COPIP Broadcast and on the BOX Book (whether prior to or after the COPIP Broadcast) will be determined automatically, according to the proposed matching, priority and allocation rules described in detail above. To further confirm that no Participant may control or influence the result or timing of the execution of orders submitted to BOX, BOX proposes to add rule text that provides that a Participant initiating a COPIP will be prohibited from subsequently entering an Order on the BOX Book for the purpose of disrupting or manipulating the ongoing COPIP,[113] thereby promoting just and equitable principles of trade.

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[112] See November 2012 Order.

[113] At no time following the submission of a COPIP Order, will a Participant manipulate, control or influence the result or timing of order execution on the Exchange by entering Orders on the BOX Book for a component leg of the COPIP that could result in the creation of BOX Book Interest that would take priority over Complex Orders interacting with the COPIP (See proposed IM-7245-2(b)).

The design of the trading platform used by BOX ensures that no Participant has any special or unique trading advantage in the handling of its orders, including orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) that may execute against a COPIP Order.[114]  As a result, the Exchange believes BOX satisfies this requirement.

Second, the Effect Versus Execute Rule requires that orders for a covered account transaction be transmitted from off the exchange floor.[115]  Again, the Commission has considered this requirement in the context of various automated trading and electronic order-handling facilities operated by national securities exchanges.[116]  In these contexts, the Commission determined that a covered account order sent through such an exchange facility would be deemed to be transmitted from off the floor.  Like these other automated systems, orders sent to BOX, regardless of where it executes within the BOX system, including the Complex Order Book, the BOX Book, a PIP or a COPIP, will be transmitted from remote terminals directly to BOX by electronic means.  OFPs and BOX Market Makers will only submit orders and quotes to BOX from electronic systems from remote locations, separate from BOX.  There are no other Options Participants that are able to submit orders to BOX other than OFPs or Market Makers.  Therefore, the

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[114] See November 2012 Order.

[115] 17 C.F.R.  240.11a2-2(T)(a)(2)(ii).

[116] See e.g., Release Nos.  29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (File Nos.  SR-NYSE-90-52 and SR-NYSE-90-53) (regarding NYSE's Off-Hours Trading Facility); 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR-BATS-2009-031) (approving BATS options trading); 59154 (December 28, 2008), 73 FR 80468 (December 31, 2008) (SR-BSE-2008-48) (approving equity securities listing and trading on BSE); NOM Approval Order; 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006) (File No.  10-131) (approving The Nasdaq Stock Market LLC); 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (SR-PCX-00-25) (approving Archipelago Exchange); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (SR-NYSE-90-52 and SR-NYSE-90-53) (approving NYSE's Off-Hours Trading Facility); and 1979 Release.

Exchange believes that Participants' orders electronically received by BOX satisfy the off-floor transmission requirement for the purposes of the Effect Versus Execute Rule.[117]

Third, the Effect Versus Execute Rule provides that the exchange member and his associated person not participate in the execution of the order once it has been transmitted.[118] This requirement originally was intended to prevent members with their own floor brokers from using those persons to influence or guide their orders' executions.[119] A member is not precluded from canceling or modifying orders, or from modifying instructions for executing orders, after they have been transmitted; provided, however, such cancellations or modifications are transmitted from off the exchange floor.[120]

In analyzing the application of the non-participation requirement to automated execution facilities, the Commission has specifically noted, in regard to BOX, that the execution does not depend on the Participant but rather upon what other orders are entered into BOX at or around the same time as the subject order, what orders are on the BOX Book, and where the order is ranked based on the priority ranking and execution algorithm.[121] Orders submitted electronically to the BOX Book will similarly meet the non-participation requirement. Upon submission to BOX, an order is executed against one or more other orders on the BOX Book or the Complex Order Book or with a COPIP Order based on an established matching algorithm. The execution does not depend on

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[117] The Commission has not considered the lack of a traditional physical floor to be an impediment to the satisfaction of the off-floor requirement. See, e.g., 1979 Release. Also see November 2012 Order.

[118] 17 C.F.R. 240.11a2-2(T)(a)(2)(iii).

[119] See April 1978 Release.

[120] See April 1978 Release.

[121] See November 2012 Order.

the Participant but rather upon what other orders are entered into BOX at or around the same time as the subject order, what orders are on the Complex Order Book and on the BOX Book, whether a PIP or COPIP is initiated and where the order is ranked based on the priority ranking algorithm. At no time following the submission of an order to BOX is an Options Participant able to acquire control or influence over the result or timing of order execution. Accordingly, Participants do not control or influence the result or timing of an order submitted to BOX, even if such Participant's order is on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) and executes against a COPIP Order. As such, the Exchange believes the non-participation requirement is met when orders are executed automatically on the Complex Order Book or the BOX Book.[122]

Fourth, in the case of a transaction effected for an account with respect to which the initiating member or an associated person thereof exercises investment discretion, neither the initiating member nor any associated person thereof may retain any compensation in connection with effecting the transaction, unless the person authorized to transact business for the account has expressly provided otherwise by written contract referring to Section 11(a) of the Act and Rule 11a2-2(T).[123] Participants trading for covered accounts over which they exercise investment discretion must comply with this condition in order to rely on the rule's exemption and the Exchange will enforce this

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[122] See November 2012 Order.

[123] 17 C.F.R. 240.11a2-2(T)(a)(2)(iv). In addition, Rule 11a2-2(T)(d) requires a member or associated person authorized by written contract to retain compensation, in connection with effecting transactions for covered accounts over which such member or associated person thereof exercises investment discretion, to furnish at least annually to the person authorized to transact business for the account a statement setting forth the total amount of compensation retained by the member in connection with effecting transactions for the account during the period covered by the statement. See 17 C.F.R. 240.11a2-2(T)(d). See also 1978 Release (stating "[t]he contractual and disclosure requirements are designed to assure that accounts electing to permit transaction-related compensation do so only after deciding that such arrangements are suitable to their interests").

requirement pursuant to its obligation under Section 6(b)(1) of the Act to enforce compliance with federal securities laws.

In light of the automated execution of orders submitted to BOX, no Options Participant will enjoy any special control over the timing and execution or special order handling advantages in effecting transactions in orders submitted to the BOX Book. All orders are electronically executed, rather than being handled manually by an Options Participant. Because these processes prevent Options Participants from gaining any time and place advantage once an order is submitted to BOX, the Exchange believes that the execution against a COPIP Order of orders on the Complex Order Book prior to the COPIP Broadcast or on the BOX Book (whether prior to or after the COPIP Broadcast) will satisfy three of the four conditions of the Effect Versus Execute Rule. Of course, the Exchange notes that BOX Options Participants relying on the Effect Versus Execute Rule also must comply with the fourth condition of the Effect Versus Execute Rule with respect to discretionary accounts.

The Exchange believes the proposal promotes just and equitable principles of trade and is consistent with the general policy objectives of Section 11(a) of the Act. The Exchange believes that the execution against a COPIP Order of orders on the Complex Order Book prior to the COPIP Broadcast and on the BOX Book (whether prior to or after the COPIP Broadcast) satisfy the requirements of the Effect Versus Execute Rule. Additionally, the Exchange believes that BOX Options Participant executions that are proposed to occur through the COPIP are consistent with the requirements in Section 11(a)(1)(G) and Rule 11a1-1(T) under the Act, except with respect to portions of the proposal satisfying Rule 11a2-2(T) as discussed above. Further, the Exchange

believes the policy concerns Congress sought to address in Section 11(a) of the Act, the

time and place advantage members on exchange floors have over non-members off the

floor and the general public, are not present for these various transactions entered into

BOX where it is executed on the Complex Order Book, the BOX Book or through the

COPIP.

6.  The Exchange proposes to delete the words "display to Options Participants" from the first
    line of Rule 7130(a) in Exhibit 5 to Form 19b-4 on page 113 of the Rule Filing and replacing
    them with the words "make available to market participants."

7.  <u>Accelerated Approval</u>.  The Exchange proposes to delete the text "Not applicable" in Item 7
    of Form 19b-4 on page 56 of the Rule Filing and replace it with the following and to
    renumber footnotes in the Rule Filing accordingly:

"(a)   Not applicable.

(b)   Not applicable.

(c)   Not applicable.

(d)   The proposed rule change is filed for accelerated effectiveness pursuant to

Section 19(b)(2) of the Act.[124]  The Exchange requests that the Commission approve the

proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act so

that it may be operative as soon as practicable.  The Exchange believes there is good

cause for the Commission to accelerate effectiveness, for the following reasons: (i) the

Exchange believes that the proposed rule change, as modified by this Amendment, is

consistent with the requirements of Section 6(b)(5) of the Act[125] that an exchange have

rules that are designed, among other things, to prevent fraudulent and manipulative acts

and practices, to promote just and equitable principles of trade, to remove impediments

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[124] 15 U.S.C. 78s(b)(2).

[125] 15 U.S.C. 78f(b)(5).

to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest; (ii) with respect to Item 1 above, the Amendment only provides additional detail regarding the adequacy of the proposed response time interval for Exchange Participants and does not change the proposed structure or operation of the BOX System from that proposed in the original Rule Filing; (iii) with respect to Item 2 above, the Amendment does not change the proposed structure or operation of the BOX System from that proposed in the original Rule Filing; while the original Rule Filing described the proposal with respect to overlapping auctions and the related outcomes achieved by the proposed BOX system, the Amendment moves information that was previously located in the footnotes into the main text, explains in greater detail certain steps of the process, provides, in the footnotes, additional citations to Exchange rules related to such steps, and provides detailed examples illustrating the results described in the original Rule Filing; (iv) with respect to Item 3 above, the Amendment only adds a specific example of prohibited conduct and does not change the proposed structure or operation of the BOX System from that proposed in the original Rule Filing; (v) with respect to Item 4 above, the Amendment does not change the proposed structure or operation of the BOX System from that proposed in the original Rule Filing; the original Rule Filing provided that a COPIP will not run simultaneously with another COPIP in the same Complex Order Strategy, nor will COPIPs interact, queue or overlap in any manner; the Amendment adds clarifying language to ensure the text is clear that this limitation applies to COPIPs on the same Strategy and the Amendment includes additional text describing how the proposed BOX system will resolve complex overlapping auctions where one or more, but not all, component single options series overlap, as illustrated by

Example 11 in Item 2 above; (vi) with respect to Item 5 above, the Amendment adds an analysis of the proposal's compliance with the requirements of Section 11(a) of the Act[126] and does not change the proposed structure or operation of the BOX System from that proposed in the original Rule Filing; and (vii) with respect to Item 6 above, the Amendment only conforms the rule text to the currently existing text of Rule 7130(a), which has changed since the date of the original Rule Filing.[127] This Amendment No. 1 amends the Rule Filing and the proposed rule text to add clarifying details regarding specific, ancillary functionality of COPIPs. COPIPs will function in a manner substantially similar to that described in the initial rule filing and, therefore, the Exchange believes it is appropriate for the Commission to grant approval of the proposed rule change on an accelerated basis.

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[126] 15 U.S.C. 78k.

[127] See Securities Exchange Act Release No. 70395 (September 15, 2013), 78 FR 57911 (September 20, 2013).