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June 10, 2022

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-BOX-2022-08

Dear Ms. Countryman:

BOX Exchange LLC filed Amendment No. 1 to the above-referenced filing on June 10, 2022.

Sincerely,

A handwritten signature in black ink, appearing to read "Alanna Barton".

Alanna Barton
General Counsel



Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 118

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

File No. * SR 2022 - * 08

Amendment No. (req. for Amendments *) 1

Filing by BOX Exchange LLC.

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

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

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

E-mail * abarton@boxexchange.com

Telephone * (617) 235-2239 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, BOX Exchange LLC. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 06/10/2022

(Title *)

By Alanna Barton

General Counsel

(Name *)

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

Alanna Barton
Digitally signed by Alanna Barton
Date: 2022.06.10 08:34:15 -04'00'

Required fields are shown with yellow backgrounds and astericks.

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

SR-BOX-2022-08 Amendment 1 (19b-

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 *

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SR-BOX-2022-08 Amendment 1 (Ex 1

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 Advanced 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 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

Add Remove View

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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

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 Sent As Paper Document

Exhibit 4 - Marked Copies

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SR-BOX-2022-08 Amendment 1 (Ex 4

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

Add Remove View

SR-BOX-2022-08 Amendment 1 (Ex 5

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.

Item 1. Text of Proposed Rule Change

a) BOX Exchange LLC (the “Exchange”) proposes to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), to expand the list of violations eligible for disposition under the Exchange’s Minor Rule Violation Plan (“MRVP”) and update the fine schedule applicable to minor rule violations related to certain rule violations. This rule change replaces and supersedes SR-BOX-2022-08¹ in its entirety. The text of the proposed rule change is attached as Exhibit 5.

b) Not applicable to application of any other Exchange rule.

c) Not applicable.

Item 2. The Procedures of the Self-Regulatory Organization

The proposed rule change was approved by officers of the Exchange pursuant to authority delegated by the Exchange Board of Directors (“Board”). No further action is necessary for the filing of the proposed rule change.

Questions regarding this rule filing may be directed to Alanna Barton, General Counsel for the Exchange, at (617) 235-2239.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a) Purpose

The purpose of the proposed rule change is to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), which governs the Exchange’s MRVP, in connection with certain minor rule violations, applicable fines, as well as other clarifying and non-substantive changes to improve the consistency of the Exchange’s MRVP with the MRVPs at other options exchanges. Specifically, the proposed rule change amends Rule 12140 by: (1) adding certain rule violations

¹ See Securities Exchange Act Release No. 94729 (April 15, 2022) (SR-BOX-2022-08) (“Original Filing”).

that the Exchange believes to be minor in nature and consistent with violations at other options exchanges; (2) updating the fine schedule applicable to minor rule violations related to certain rule violations; and (3) making other clarifying and non-substantive changes.

The MRVP provides that in lieu of commencing a disciplinary proceeding, the Exchange may, subject to the certain requirements set forth in the Rule, impose a fine, not to exceed \$5,000, on any Options Participant, or person associated with or employed by an Options Participant, with respect to any Rule violation listed in Rule 12140(d) or (e) discussed below. Any fine imposed pursuant to this Rule that (i) does not exceed \$2,500 and (ii) is not contested, shall be reported on a periodic basis, except as may otherwise be required by Rule 19d-1 under the Act or by any other regulatory authority. Further, the Rule provides that any person against whom a fine is imposed under the Rule shall be served with a written statement setting forth: (i) the Rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested, which date shall be not less than twenty-five (25) calendar days after the date of service of such written statement. Rule 12140 (d) and (e) set forth the list of specific Exchange Rules under which an Options Participant or person associated with or employed by an Options Participant may be subject to a fine for violations of such Rules and the applicable fines that may be imposed by the Exchange. As with all the violations incorporated into its MRVP, the Exchange will proceed under this Rule only for violations that are minor in nature. Any other violation will be addressed pursuant to Rules 12030 (Letters of Consent) or 12040 (Charges).

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to the MRVP. The Exchange is proposing to update language within the MRVP to

remove the term “occurrence” and replace it with “violation” when the term is being used to represent a singular instance and “offense” when the term may be used to represent multiple violations aggregated together. The Exchange is proposing these changes to improve the consistency of the use of these terms within the MVRP. The Exchange is also proposing to update any use of the term “running” to “rolling” within the MRVP fine schedules. There is no substantive difference in the Exchange’s interpretation of the term “running” and “rolling.” The purpose of these changes is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed changes are intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges.

Exercise Limits

First, the Exchange proposes to amend 12140(d)(1), Position Limits to include violations of Exercise limits pursuant to Rule 3140². The Exchange believes that amending Rule 12140(d)(1), Position Limits, to include violations of Exercise Limits pursuant to BOX Rule 3140 is appropriate because it will allow the Exchange to carry out its regulatory responsibility more efficiently and in a manner that is consistent with the way it handles violations of position limits. Violations of position and exercise limits on the Exchange generally occur together, so

² The Exchange notes that BOX Rule 3140 establishes a limit on the number of option contracts of a single class that an Options Participant can exercise within any five consecutive business days. Exercise limits are fixed by the Exchange pursuant to Rule 3140 and vary by class of options. See BOX Rule 3140.

adding exercise limits to the existing position limits minor rule violation will allow the Exchange to address these related violations more effectively. The Exchange proposes that the fine levels for exercise limit violations match the current fine levels for position limits. The Exchange is also proposing to update the language in the heading of the fine schedule to change “violations” to “offenses”. The Exchange believes this change is reasonable as it adds detail and clarity to the fine schedules by clarifying the Exchange’s use of these terms as used within the fine schedules. The Exchange believes this change may help reduce Participant confusion over the Exchange’s application of the fines within BOX Rule 12140(d)(1).

Under this rule, any Participant who violates Rule 3120 or Rule 3140 regarding position or exercise limits shall be subject to the fines listed below. The Exchange notes that this proposal is consistent with the MRVPs in place at Cboe Exchange, Inc. (“Cboe Options”), NYSE American, LLC (“NYSE American”) and NYSE Arca, Inc. (“NYSE Arca”).³

Number of Cumulative Offenses Within Any Rolling Twenty-Four Month Period	Sanction
First Offense	\$500
Second Offense	\$1,000
Third Offense	\$2,500
Fourth and Each Subsequent Offense	\$5,000

Requests for Trade Data

As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to amend Rule 12140(d)(3) Requests for Trade Data pursuant to Rule 10040, to change “offense” to “violation” within the fine schedule. The

³ See Cboe Options Rule 13.15(g)(1). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(21).

Exchange is proposing this change to clarify the distinction between offense and violation by updating the terminology to only use the term “offense” when the listed fines are meant to cover multiple violations. The purpose of these changes is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. As such, the Exchange is proposing to amend Rule 12140(d)(3) Requests for Trade Data pursuant to Rule 10040, to change “offense” to “violation” within the fine schedule. The Exchange believes this proposed clarifying and non-substantive change is appropriate because it will help clarify this distinction between offense and violation by updating the terminology to only use the term “offense” when the listed fines are meant to cover multiple violations. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(d)(3). The Exchange proposes to update the fine schedule as follows:

Number of Violations Within One Calendar Year	Sanction
2nd Violation	\$500
3rd Violation	\$1,000
4th Violation	\$2,500
Subsequent Violations	Formal Disciplinary Action

Quotation Parameters

The Exchange is also proposing to amend Rule 12140(d)(5) Quotation Parameters to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. The Exchange believes that removing the lesser penalty (Letter of Caution) for the first, second, and third offenses in order to provide fines for the first, second, and third offenses and, ultimately, formal disciplinary proceedings for the fourth offense and thereafter during one calendar year is appropriate. The Exchange believes this fine structure may serve to deter repeat-offenders more effectively. The Exchange notes this proposed change will bring the sanctions for violations regarding spread parameters or market maker quotations in line with the sanctions imposed by NYSE Arca.⁴

Rule 12140(d)(5) currently permits the Exchange to issue a Letter of Caution for the first, second, and third occurrence within a one calendar year running basis. For the fourth, fifth, sixth occurrences during a one-year running period, the fine schedule currently permits the Exchange to issue a fine of \$250, \$500, and \$1,000, respectively. The fine schedule also provides that for the seventh occurrence and thereafter, during a one-year running period, the sanction is discretionary with the Hearing Committee. The proposed rule change updates the fine schedule to provide that, on a one-year rolling basis, the Exchange may apply a fine of \$1,000 for a first offense, may apply a fine of \$2,500 for a second offense, may apply a fine of \$3,500 for a third offense, and may proceed with formal disciplinary action for a fourth offense and thereafter.

⁴ See NYSE Arca Rule 10.12(k)(i)(41).

As described above, the Exchange is proposing to update the language to use “offense” or “violation” instead of “occurrence” and “rolling” instead of “running” within the fine schedule for consistency within the MRVP and to clarify the Exchange’s usage of such terms. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this proposed amendment, any Participant who violates Rule 8040(a)(7) regarding spread parameters or market maker quotations shall be subject to the fines listed below.

Fine Schedule (Implemented on a one-year rolling basis)	Sanction
1 st Offense	\$1,000
2 nd Offense	\$2,500
3 rd Offense	\$3,500
4 th Offense and Thereafter	Formal Disciplinary Action

Lead Market Maker Continuous Quoting

Next the Exchange proposes to amend Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Marker Makers pursuant to BOX Rule 8050(e) and Rule 8055(c)(1). The Exchange believes that amending Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Marker Makers pursuant to BOX Rule 8055(c)(1) is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly

and efficiently in a manner that is consistent with the way it handles continuous quoting violations for all types of Market Makers.⁵

The Exchange is also proposing to increase and strengthen the sanctions imposed under this section, which the Exchange believes will more effectively deter violative conduct. The Exchange notes that this proposed change will bring the sanctions for violations of continuous quoting obligations in line with the sanctions imposed by Cboe Options.⁶ Rule 12140(d)(6) currently permits the Exchange to give a Letter of Caution for the first violation within one calendar year. For subsequent violations during the same period, the fine schedule permits the Exchange to issue a fine of \$300 per day. The Exchange proposes to update the fine schedule as follows:

Violations Within One Calendar Year	Sanction
1 st Violation	Letter of Caution
2 nd Violation	\$1,500
3 rd Violation	\$3,000
Subsequent Violations	Formal Disciplinary Action

The proposed rule change updates the fine schedule to provide that, during one calendar year, the Exchange may give a Letter of Caution for a first violation, may apply a fine of \$1,500 for a second violation, may apply a fine of \$3,000 for a third violation, and may proceed with formal disciplinary action for subsequent violations.⁷ As described above, and as is the case for

⁵ The Exchange adopted Rule 7135 (Execution and Pro Rata Priority) to establish and govern pro rate execution on BOX and Rule 8055 (Lead Market Makers) which details the designation and obligations of Lead Market Makers on BOX. Rule 7350(c)(2) details Lead Market Maker Priority and Lead Market Makers may be assigned by the Exchange in each options class in accordance with Rule 8055. The Exchange now proposes to include Lead Market Maker Continuous Quoting in its MRVP. See Securities Exchange Act Release No. 91897 (May 14, 2021), 86 FR 27490 (May 20, 2021) (SR-BOX-2021-11).

⁶ See Cboe Options Rule 13.15(g)(9).

⁷ The Exchange notes that Cboe Options has identical sanctions in place. See Cboe Options Rule 13.15(g)(9).

all rule violations covered under Rule 12140(d) and (e), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP. The Exchange believes that maintaining the lesser penalty (Letter of Caution) for a first violation and then providing higher fines for second and third violations and, ultimately, formal disciplinary proceedings for any subsequent violations during one calendar year is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a smaller fine range for any violations that may come after a first violation). The Exchange believes this fine structure may serve to deter repeat-offenders while providing reasonable warning for a first violation within one calendar year.

Under this proposed amendment, any Participant who violates Rule 8050(e) or Rule 8055(c)(1) regarding Market Maker or Lead Market Maker continuous quotes shall be subject to the fines listed above. In calculating fine thresholds for each Market Maker or Lead Market Maker, all violations occurring within the Surveillance Review Period as defined within the Exchange Surveillance Procedures in any of that Market Maker or Lead Market Maker's appointed classes are to be added together.⁸

The Exchange is also proposing to remove language from Rule 12140(d)(6) that states "Violations of Rule 8050(e) or Rule 8055(c)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days." With the

⁸ The referenced Surveillance Review Period is a quarterly review period that is specified within the Exchange Surveillance Procedures, which are utilized by FINRA's options surveillance group. As specified within the referenced Exchange Surveillance Procedures, staff will determine the total number of days throughout the quarter in which the market maker quoted less than 60% of the aggregate quotable time of all its appointed classes after each series was opened.

proposed updates to the fine schedule replacing the fine of \$300 per day with a fine of \$1,500, this language is no longer necessary. This language was originally included to allow the Exchange to fine a Participant \$300 per day for each consecutive trading day during which a violation occurs. The Exchange is proposing to reformat the fine schedule and remove the listed fine of \$300 per day. The Exchange is now proposing a fine of \$1,500 for a second violation, a fine of \$3,000 for a third violation, and formal disciplinary action for any subsequent violations. Under the new format, the language allowing consecutive trading day violations for up to fifteen days to be fined separately is no longer consistent or feasible. Under the MRVP, a Participant may only be fined a maximum of \$5,000 and with the greater fines being proposed the previous fine structure no longer applies. The Exchange believes that removing this language will clarify the proposed updates to the fine schedule and may help reduce Participant confusion over the Exchange's application of the fines within BOX Rule 12140(d)(6). The Exchange notes that Cboe Options, and NYSE Arca have similar rule provisions in their MRVPs addressing Market Maker and Lead Market Maker continuous quoting obligations.⁹

Mandatory Systems Testing

The Exchange is also proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms "and thereafter" and "subsequent" instead of "or more" when detailing the number of violations. There is no substantive difference in the Exchange's interpretation between "or more" and "subsequent" or "and thereafter". The purpose of the change is to provide greater clarity within the Exchange's own MRVP by using more consistent terminology. The Exchange proposes to amend 12140(d)(7), Mandatory Systems

⁹ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

Testing pursuant to BOX Rule 3180, to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 3180 regarding the failure to conduct or participate in the testing of computer systems, or failure to provide required reports or maintain required documentation, shall be subject to the fines listed below.

Violations Within One Calendar Year	Sanction
First Violation	\$250
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2000
Fifth Violation and Thereafter	Formal Disciplinary Action

Maintenance, Retention and Furnishing of Books, Records and Other Information

Next, the Exchange proposes to adopt 12140(d)(10), Maintenance, Retention and Furnishing of Books, Records and Other Information pursuant to BOX Rule 10000. Under this rule, any Participant who violates Rule 10000 regarding the failure to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange shall be subject to the fines listed below.

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth Violation and Thereafter	\$5,000 or Formal Disciplinary Action

The Exchange believes the adoption of Rule 12140(d)(10) into the MRVP is appropriate because it will allow the Exchange to carry out its regulatory responsibility more efficiently and help deter BOX Participants from failing to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange. The Exchange notes that adding this provision will help ensure consistency within the MRVP's of the various options exchanges. NYSE American and NYSE Arca have rule provisions within their respective minor rule violation plans that addresses similar recordkeeping violations.¹⁰ Further, the proposed fine schedule for these types of violations is similar to the recordkeeping sanctions imposed by NYSE American and NYSE Arca.¹¹

Anti-Money Laundering Compliance Program

The Exchange also proposes to adopt 12140(d)(11), Anti-Money Laundering Compliance Program pursuant to BOX Rule 10070. Under this Rule any Participant who violates Rule 10070 regarding the failure to satisfy the anti-money laundering compliance program requirements shall

¹⁰ NYSE American and NYSE Arca have subsections within their MRVPs listing numerous specific recordkeeping violations. NYSE American Rule 9217 and NYSE Arca Rule 10.12 contain minor rule violations regarding failures to comply with the books and records requirements of Rule 324 and failures to furnish in a timely manner books, records or other requested information or testimony in connection with an examination of financial responsibility and/or operational conditions. See NYSE American Rule 9217(ii). See also NYSE Arca Rule 10.12(k)(iii).

¹¹ The NYSE American and NYSE Arca MRVPs contain numerous recordkeeping minor rule violations with fines ranging from \$500 to \$5,000 depending on the specific violation and the fine level. See NYSE American Rule 9217(ii). See also NYSE Arca Rule 10.12(k)(iii).

be subject to the fines listed below. The Exchange believes the adoption of Rule 12140(d)(11), is appropriate because it will help deter BOX Participants from failing to satisfy the requirements of the anti-money laundering compliance program. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently with respect to violations of BOX Rule 10070. The Exchange notes that this proposed addition is consistent with the minor rule violations relating to anti-money laundering program failure with the MRVPs at NYSE American and NYSE Arca.¹² Additionally, Cboe Options has a rule provision in its MRVP that addresses violations related to anti-money laundering implementation relating to the failure to designate a person responsible for implementing and monitoring the anti-money laundering compliance program.¹³ The proposed fine schedule provides that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for an initial violation and \$2,500 for subsequent violations. The Exchange believes that the proposed sanctions are appropriate, as they will provide sufficient warning to first time offenders, while deterring repeat offenders. These sanctions are identical to the sanctions applied by Cboe Options and similar to the sanctions applied by NYSE American and NYSE Arca for minor rule violations relating to anti-money laundering compliance program violations.¹⁴

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$1,000
Subsequent Violations	\$2,500

¹² See NYSE American Rule 9217(ii)(12). See also NYSE Arca Rule 10.12(k)(iii)(12).

¹³ See Cboe Options Rule 13.15(g)(13).

¹⁴ Cboe Options applies sanctions of \$1000 for a first offense and \$2500 for subsequent offenses., while NYSE American and NYSE Arca have sanctions of \$2,000 for 1st level, \$4,000 for 2nd level, and \$5,000 for third level. See Cboe Options Rule 13.15(g)(13). See also NYSE American Rule 9217(ii)(12). See also NYSE Arca Rule 10.12(k)(iii)(12).

Locked and Crossed Market Violations

The Exchange is proposing to amend current Rule 12140(d)(10)¹⁵ Locked and Crossed Market Violations to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions for violations relating to locked and crossed markets is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. The Exchange notes this proposed change will bring the sanctions for violations regarding procedures to be followed in the instance of a Locked Market or a Crossed Market more in line with the sanctions imposed by Cboe Options.¹⁶ Rule 12140(d)(10) currently permits the Exchange to issue a Letter of Caution for an initial violation within a twelve-month rolling period. The current fine schedule also permits the Exchange to apply a fine of \$250 for a second violation, \$500 for a third violation, and formal disciplinary action for the fourth violation or more within a twelve-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twelve-month rolling period, the Exchange may apply a fine of \$500 for an initial violation, may apply a fine of \$2,500 for a second violation, and may apply a fine of \$5,000 or proceed with formal disciplinary action for subsequent violations. Under this proposed amendment, any Participant who violates Rule 15020 regarding procedures to be followed in the instance of a Locked or Crossed Market shall be subject to the fines listed below.

¹⁵ As discussed above, this proposed rule change subsequently renumbers current Rule 12140 (d)(10) to (d)(12) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

¹⁶ Cboe Option's MRVP provides for sanctions of \$500-1,000 for a first offense, \$1,000-2,500 for a second offenses, and \$2,500-5,000 and a Staff Interview for subsequent offenses. See Cboe Options Rule 13.15(g)(8).

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$2,500
Subsequent Violations	\$5,000 or Formal Disciplinary Action

Market Maker Assigned Activity Violations

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(11),¹⁷ Market Maker Assigned Activity Violations pursuant to BOX Rule 8030(e), to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 8030(e) regarding the failure of Market Makers to limit their

¹⁷ As discussed above, this proposed rule change subsequently renumbers Rule 12140 (d)(11) to (d)(13) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, is subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2500
Fifth Violation and Thereafter	Formal Disciplinary Action

Request for Quote Violations

As detailed above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(12),¹⁸ Request for Quote Violations pursuant to BOX Rule 8050(c)(2) - (c)(4), to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing

¹⁸ As discussed above, this proposed rule change subsequently renumbers Rule 12140 (d)(12) to (d)(14) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 8050(c)(2) - (c)(4) regarding the failure of a Market Maker to respond to a Request for Quote ("RFQ") on BOX, is subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation and Thereafter	Formal Disciplinary Action

Trade Through Violations

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms "and thereafter" and "subsequent" instead of "or more" when detailing the number of violations. There is no substantive difference in the Exchange's interpretation between "or more" and "subsequent" or "and thereafter". The purpose of the change is to provide greater clarity within the Exchange's MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(13),¹⁹ Trade Through Violations pursuant to BOX Rule 15010, to change "or more" to "and thereafter" within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the

¹⁹ As discussed above, this proposed rule change subsequently renumbers Rule 12140 (d)(13) to (d)(15) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 15010(a) regarding trade throughs is subject to the fines listed below.

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth Violation and Thereafter	\$5,000 or Formal Disciplinary Action

Trading Floor Violations Fine Schedules

The Exchange is proposing to update the fine schedules applicable to minor rule violations related to certain Trading Floor violations listed in Rule 12140(e) to increase and strengthen the sanctions. The Exchange adopted the minor rule violations and corresponding fines under Rule 12140(e) in 2017 following the establishment of the BOX Trading Floor.²⁰ In adopting its current trading floor minor rule violations, the Exchange believed it appropriate to adopt a lower fine amount than in place at NYSE Arca as the new trading floor was established and to be more consistent with the other fines within the Exchange's own MRVP. However, the Exchange's Trading Floor is now well-established, with a greater number of Participants, and the Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange

²⁰ See Securities Exchange Act Release No. 81398 (August 15, 2017), 82 FR 39630 (August 21, 2017) (SR-BOX-2017-26).

believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions more in line with the fine schedules in place at NYSE Arca.²¹

The Exchange is also proposing to update the language within each minor rule violation listed within Rule 12140(e) to use the term “violation” instead of “occurrence” when detailing the number of violations within the fine schedules to provide consistency in the terminology used within the Exchange’s MRVP. Within the MRVP, the Exchange interprets violation to mean one instance, while multiple violations may be deemed to constitute one offense. As noted above, the Exchange believes that changing “occurrence” to “violation” in BOX Rule 12140(e)(1)-(12) is appropriate to provide consistency within the terms used and the Exchange’s interpretation of the terms. The Exchange is proposing to remove the term “occurrence” from the MRVP and proposes to replace “occurrence” with “violation” for a singular violation and “offense” when the listed fines are meant to cover multiple violations. The Exchange is proposing these changes to improve consistency within the usage of these terms and to conform the fine schedules to the Exchange’s new understanding that a violation covers a singular rule violation, while multiple violations may be aggregated to constitute an offense. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that

²¹ See NYSE Arca Rule 10.12.

the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges.

General Responsibilities of Floor Brokers. The Exchange is proposing to amend Rule 12140(e)(1), General Responsibilities of Floor Brokers pursuant to BOX Rule 7570, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions in line with the sanctions imposed by NYSE Arca.²² Rule 12140(e)(1) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$5,000 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Broker who violates Rule 7580(e) regarding the failure to use due diligence when handling an order, to cause the order to be executed at the best price or prices available to him in accordance with the Rules of the Exchange shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
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²² See NYSE Arca Rule 10.12 (k)(i)(1).

First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$5,000
Subsequent Violations	Formal Disciplinary Action

Failure to Properly Record Orders. The Exchange is also proposing to amend Rule 12140(e)(2) Failure to Properly Record Orders pursuant to BOX Rule 7580(e), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²³ Rule 12140(e)(2) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$500 for the first violation, \$1,000 for a second violation, \$2,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 7580(e) regarding the failure to comply with the order format and system entry requirements on the Trading Floor shall be subject to the fines listed below.

²³ See NYSE Arca Rule 10.12 (k)(i)(2).

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Subsequent Violations	Formal Disciplinary Action

Failure to Properly Execute a QOO Order. As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to amend Rule 12140(e)(3) Failure to Properly Execute a QOO Order pursuant to Rule 7600, to change “occurrence to “violation” within the fine schedule. The Exchange is proposing this change to update the language within the MRVP to remove the term “occurrence” and replace it with “violation” when the term is being used to represent a singular instance and “offense” when the term may be used to represent multiple violations aggregated together. The Exchange is proposing these changes to improve the consistency of the use of these terms within the MVRP. The Exchange believes these proposed technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(e)(3). The Exchange proposes to update the fine schedule as follows:

Number of Violations Within Any Rolling 24-Month Period	Sanction
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First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,000
Subsequent Violations	Formal Disciplinary Action

Trading Conduct and Order & Decorum on the Trading Floor. The Exchange is also proposing to amend Rule 12140(e)(4) Trading Conduct and Order & Decorum on the Trading Floor pursuant to BOX Rule 2120(b)-(d), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²⁴ Rule 12140(e)(4) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,000 for a second violation, \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 2120(b)-(d) regarding Trading Floor Conduct and decorum shall be subject to the fines listed below.

²⁴ See NYSE Arca Rule 10.12 (k)(i)(16).

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,000
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Discretionary Transactions. As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to amend Rule 12140(e)(5) Discretionary Transactions pursuant to Rule 7590, to change “occurrence” to “violation” within the fine schedule. The Exchange is proposing this change to update the language within the MRVP to remove the term “occurrence” and replace it with “violation” when the term is being used to represent a singular instance and “offense” when the term may be used to represent multiple violations aggregated together. The Exchange is proposing these changes to improve the consistency of the use of these terms within the MVRP. The Exchange believes these proposed technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(e)(5). The Exchange proposes to update the fine schedule as follows:

Number of Violations Within Any Rolling 24-Month Period	Sanction
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First Violation	\$250
Second Violation	\$500
Third Violation	\$1,000
Subsequent Violations	Formal Disciplinary Action

Floor Participant Not Available to Reconcile an Uncompared Trade. The Exchange is proposing to amend Rule 12140(e)(6) Floor Participant Not Available to Reconcile an Uncompared Trade pursuant to BOX Rule 8530, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²⁵ Rule 12140(e)(6) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that the Exchange may apply a fine of \$500 for the first violation, \$1,000 for a second violation, \$2,500 for a third violation, and may proceed with formal disciplinary action for any subsequent violations within any rolling twenty-four-month period. Under this proposed amendment, any Floor Participant who violates Rule 8530 regarding the resolution of uncompared trades shall be subject to the fines listed below.

²⁵ See NYSE Arca Rule 10.12(k)(i)(9).

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Subsequent Violations	Formal Disciplinary Action

Floor Participant Communications and Equipment. The Exchange is also proposing to amend Rule 12140(e)(7) Floor Participant Communications and Equipment pursuant to BOX Rule 7660, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²⁶ Rule 12140(e)(7) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, and \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the fines listed below.

²⁶ See NYSE Arca Rule 10.12(k)(i)(12).

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Improper Vocalization of a Trade. The Exchange is also proposing to amend Rule 12140(e)(8) Improper Vocalization of a Trade pursuant to BOX Rule 100(b)(5), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁷ Rule 12140(e)(8) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 100(b)(5) regarding the requirements for public outcry shall be subject to the fines listed below.

²⁷ See NYSE Arca Rule 10.12(k)(i)(14).

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Floor Market Maker Failure to Comply with Quotation Requirements. The Exchange is also proposing to amend Rule 12140(e)(9) Floor Market Maker Failure to Comply with Quotation Requirements pursuant to BOX Rule 8510(c)(2), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁸ Rule 12140(e)(9) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, and \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 8510(c)(2) regarding a Floor Market

²⁸ See NYSE Arca Rule 10.12(k)(i)(39).

Maker's Obligation of Continuous Open Outcry Quoting shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Floor Market Maker Quote Spread Parameters. The Exchange is also proposing to amend Rule 12140(e)(10) Floor Market Maker Quote Spread Parameters pursuant to BOX Rule 8510(d)(1), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁹ Rule 12140(e)(10) currently permits the Exchange to give a Letter of Caution for a first occurrence, apply a fine of \$250 for a second occurrence, apply a fine of \$500 for a third occurrence, and proceed with formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any

²⁹ See NYSE Arca Rule 10.12(k)(i)(41).

Floor Participant who violates Rule 8510(d)(1) regarding legal bid/ask differential requirements shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Floor Broker Failure to Honor the Priority of Bids and Offers. The Exchange is also proposing to amend Rule 12140(e)(11) Floor Broker Failure to Honor the Priority of Bids and Offers pursuant to BOX Rule 7610(d), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³⁰ Rule 12140(e)(11) currently permits the Exchange to apply a fine of \$500 for a first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and may proceed with formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$5,000 for a third

³⁰ See NYSE Arca Rule 10.12(k)(i)(40).

violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$5,000
Subsequent Violations	Formal Disciplinary Action

Floor Broker Failure to Identify a Broker Dealer Order. The Exchange is also proposing to amend Rule 12140(e)(12) Floor Broker Failure to Identify a Broker Dealer Order pursuant to BOX Rule IM-7580-2 to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³¹ Rule 12140(e)(12) currently permits the Exchange to apply a fine of \$250 for a first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and may proceed with formal disciplinary action for subsequent offenses within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$500 for the first violation,

³¹ See NYSE Arca Rule 10.12(k)(i)(11).

\$1,500 for a second violation, \$3,000 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule IM-7580-2 regarding a Floor Broker's responsibility to identify its orders shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,500
Third Violation	\$3,000
Subsequent Violations	Formal Disciplinary Action

The Exchange believes Exercise Limits (Rule 3140), Lead Market Maker Continuous Quoting (Rule 8050(e)), Maintenance, Retention, and Furnishing of Books, Records, and Other Information (Rule 10000), and Anti-Money Laundering Compliance Program (Rule 10070) to be minor in nature and consistent with violations at other options exchanges, and therefore proposes to add them to the list of rules in Rule 12140(d) eligible for a minor rule fine disposition.

Particularly, the Exchange believes that violations of each of the rules listed above are suitable for incorporation into the MRVP because these violations are minor in nature and consistent with violations at other options exchanges. The Exchange notes that the proposed change is intended to provide for greater consistency across the Exchange's MRVP and the MRVPs of the other options exchanges. As detailed above, the Exchange is also proposing to increase and strengthen the fines for certain minor rule violations under Rule 12140. The Exchange believes that the proposed increased fines will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Specifically, the proposed rule change is

designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue greater fines and more effectively deter violative conduct.

The Exchange is also proposing to make additional technical and non-substantive changes to provide greater clarity and consistency within the Exchange's MRVP and with the MRVPs of the other options exchanges. As a result of the proposed addition of Rules 12140(d)(10) and (d)(11) above, the proposed rule change subsequently renumbers current Rules 12140(d)(10), (11), (12), (13), and (14), to Rules 12140(d)(12), (13), (14), (15), and (16), respectively. The Exchange is also proposing to amend the language within the fine schedules to use the terms "and thereafter" and "subsequent" instead of "or more" when detailing the number of violations. The Exchange proposes to update "or more" to "and thereafter" in Rule 12140(d)(7), (13),³² (14),³³ and (15),³⁴ and "or more" to "subsequent" in Rules 12140(d)(6) and (12).³⁵ There is no substantive difference in the Exchange's interpretation between "or more" and "subsequent" or "and thereafter." The purpose of the change is to provide greater clarity within the Exchange's MRVP by using more consistent terminology. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The

³² As noted above, this is current Rule 12140(d)(11), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³³ As noted above, this is current Rule 12140(d)(12), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³⁴ As noted above, this is current Rule 12140(d)(13), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³⁵ As noted above, this is current Rule 12140(d)(10), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges.

b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁷ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange further believes that the proposed rule changes to Rule 12140(d) are consistent with Section 6(b)(6) of the Act,³⁹ which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As

³⁶ 15 U.S.C. 78f(b).

³⁷ 15 U.S.C. 78f(b)(5).

³⁸ Id.

³⁹ 15 U.S.C. 78f(b)(6).

noted, the proposed rule change adds certain rules as eligible for a minor rule fine disposition under the Exchange's MRVP. The Exchange believes that violations of these proposed rules are minor in nature and will be more appropriately disciplined through the Exchange's MRVP and is proposing to amend the fine schedules applicable to these additional rules to appropriately sanctions such failures.

The Exchange also believes that the proposed change is designed to provide a fair procedure for the disciplining of members and persons associated with members, consistent with Sections 6(b)(7) and 6(d) of the Act.⁴⁰ Rule 12140, currently and as amended, does not preclude a Participant or person associated with or employed by a Participant from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding. Finally, the Exchange believes that the proposed rule change will strengthen its ability to carry out its oversight responsibilities as a self-regulatory organization pursuant to the Act and reinforce its surveillance and enforcement functions.

The Exchange believes that the proposed rule change to add certain rules as eligible for a minor rule fine disposition under its MRVP, which it considers violations of such rules to be minor in nature and consistent with violations at other options exchanges, will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange believes violations of the above-listed rules to be minor in nature and therefore proposes to add them to the list of rules in Rule 12140(d) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of

⁴⁰ 15 U.S.C. 78f(b)(7) and 78f(d).

the rules listed above are suitable for incorporation into the MRVP because these violations are generally minor in nature and consistent with violations at other options exchanges. Further, the Exchange will be able to carry out its regulatory responsibility more quickly and efficiently by incorporating these violations into the MRVP.

Specifically, the Exchange believes the adoption of Rule 12140(d)(10) Maintenance, Retention and Furnishing of Books, Records and Other Information pursuant to BOX Rule 10000 is appropriate because it will help deter BOX Participants from failing to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently. The Exchange believes that the lesser penalty of \$500 for an initial violation and then providing higher fines for second and third violations and the option of a fine of \$5,000 or formal disciplinary proceedings for a fourth violation and thereafter during a rolling twenty-four-month period is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders. The Exchange believes this fine structure may serve to deter repeat-offenders while providing a reasonable penalty for a first offense within a rolling twenty-four-month period. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10000.

The Exchange believes the adoption of Rule 12140(d)(11), Anti-Money Laundering Compliance Program pursuant to BOX Rule 10070 is appropriate because it will help deter BOX Participants from failing to satisfy the requirements of the anti-money laundering compliance program. The Exchange believes that adding this rule to the MRVP will allow the Exchange to

carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10070. The Exchange believes that the proposed fine structure permitting the Exchange to apply a fine of \$1,000 for a first violation and \$2,500 for subsequent violations is appropriate as this will effectively penalize both first time and repeat offenders. The Exchange believes that the proposed fines will be sufficient to warn against and help deter potentially violative conduct. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10070.

The Exchange believes that amending Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Market Makers pursuant to BOX Rule 8055(c)(1) is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles Market Maker continuous quoting violations. The Exchange notes that Cboe Options, and NYSE Arca have rule provisions in their minor rule violation plans that address Market Maker and Lead Market Maker continuous quoting obligations.⁴¹ Rule 12140(d)(6) currently permits the Exchange to give a Letter of Caution for the first violation within one calendar year. For subsequent violations during the same period, the fine schedule permits the Exchange to issue a fine of \$300 per day. The proposed rule change increases and strengthens the fine schedule to provide that, during one calendar year, the Exchange may give a Letter of Caution for a first violation, may apply a fine of \$1,500 for a second violation, may apply a fine of \$3,000 for a third violation, and may proceed with formal disciplinary action for subsequent violations. The Exchange believes that maintaining the lesser penalty (Letter of Caution) for a first violation and then providing higher

⁴¹ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

finer for second and third violations and, ultimately, formal disciplinary proceedings for any subsequent violations during one calendar year is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a fine range for any violations that may come after a first violation). The Exchange believes this fine structure may serve to deter repeat-offenders while providing reasonable warning for a first violation within one calendar year. The Exchange believes that removing the language from Rule 12140(d)(6) that states “Violations of Rule 8050(e) or Rule 8055(c)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days” is reasonable because with the proposed updates to the fine schedule replacing the fine of \$300 per day with a fine of \$1,500, this language is no longer necessary. This language was originally included to allow the Exchange to fine a Participant \$300 per day for each consecutive trading day during which a violation occurs. The Exchange is proposing to reformat the fine schedule and remove the listed fine of \$300 per day. The Exchange is now proposing a fine of \$1,500 for a second violation, a fine of \$3,000 for a third violation, and formal disciplinary action for any subsequent violations. Under the new format, the language allowing consecutive trading day violations for up to fifteen days to be fined separately is no longer consistent or feasible. Under the MRVP, a Participant may only be fined a maximum of \$5,000 and with the greater fines being proposed the previous fine structure no longer applies. The Exchange also believes that removing this language will clarify the proposed updates to the fine schedule and may help reduce Participant confusion over the Exchange’s application of the fines within BOX Rule 12140(d)(6). The Exchange notes that Cboe Options, and NYSE Arca have similar rule provisions in their MRVPs addressing Market Maker and Lead Market Maker

continuous quoting obligations.⁴² The Exchange also notes that the proposed fines will bring the sanctions for violations of continuous quoting obligations in line with the sanctions currently imposed by Cboe Options.⁴³

The Exchange believes that adding Lead Market Maker Continuous Quoting to Rule 12140(d)(6) within the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 8055(c)(1). The Exchange notes that the proposed change will also provide for greater consistency across the Exchange's MRVP and the MRVPs of the other options exchanges. The Exchange believes violations of these rules to be minor in nature and would be more appropriately disciplined through the Exchange's MRVP. As described above, and as is the case for all rule violations covered under Rule 12140(d) and (e), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP.

The Exchange believes that amending Rule 12140(d)(1), Position Limits, to include violations of exercise limits pursuant to BOX Rule 3140 is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles violations of position limits. Violations of position and exercise limits on the Exchange generally occur contemporaneously, so adding exercise limits to the existing position limits minor rule violation will allow the Exchange to address these related violations more effectively. The Exchange is proposing to keep the fine levels for exercise limit violations the same as the current fine levels for position limits. The Exchange believes that

⁴² See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

⁴³ See Cboe Options Rule 13.15(g)(9).

updating the language in the heading of the fine schedule to change “violations” to “offenses” is reasonable as it adds detail and clarity to the fine schedules by clarifying the Exchange’s use of these terms as used within the fine schedules. The Exchange believes this change may help reduce Participant confusion over the Exchange’s application of the fines within BOX Rule 12140(d)(1). The Exchange notes that this proposal is consistent with the MRVPs in place at Cboe Options, NYSE American, and NYSE Arca.⁴⁴

The Exchange believes that increasing and strengthening the sanctions in Rule 12140(d)(5) and current Rule 12140(d)(10)⁴⁵ is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. As such, the Exchange believes that this will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

The Exchange believes that the proposed rule change to adopt Rules 12140(d)(10) and (11), and amend current Rules 12140(d)(1), (5), (6), (10)⁴⁶, (11)⁴⁷, (12)⁴⁸, (13)⁴⁹, and (14)⁵⁰ will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting

⁴⁴ See Cboe Options Rule 13.15(g)(1). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(21).

⁴⁵ See *supra* note 3.

⁴⁶ *Id.*

⁴⁷ See *supra* note 32.

⁴⁸ See *supra* note 33.

⁴⁹ See *supra* note 34.

⁵⁰ As noted above, this proposed rule change subsequently renumbers current Rule 12140 (d)(14) to (d)(16) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

just and equitable principles of trade and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange notes that the proposed updates to the minor rule violations and subsequent sanctions will bring them more in line with the MRVPs in place at NYSE American, NYSE Arca, and Cboe Options, will promote greater consistency across the options exchanges and reduce investor confusion.

The Exchange believes that the proposed technical and clarifying changes are appropriate and benefit investors by adding clarity to the rules. The Exchange believes that the proposed rule change to renumber current Rules 12140(d)(10), (11), (12), (13), and (14), to Rules 12140(d)(12), (13), (14), (15), and (16), respectively, will benefit investors by adding clarity to the rules. The Exchange believes that updating the language to use “offense” or “violation” instead of “occurrence” and “rolling” instead of “running” within the fine schedule is appropriate will provide greater consistency in the terminology used within the Exchange’s MRVP and with the MRVPs of the other options exchanges. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. The Exchange also believes that amending the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations will provide more clarity and may reduce investor confusion. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its

regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in its administration of the MRVP. The Exchange notes that the proposed change will also provide for greater consistency between the Exchange's MRVP and the MRVPs of the other options exchanges, which is designed to benefit investors by providing more consistent language among the various options exchanges.

The Exchange believes that the proposed rule change to update the fine schedule and language applicable to minor rule violations related to certain Trading Floor violations listed in Rule 12140(e) to increase the sanctions will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. Particularly, the Exchange believes that updating the fine schedule applicable to minor rule violations related to certain Trading Floor violations does not directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protection. The Exchange adopted the minor rule violations and corresponding fines under Rule 12140(e) in 2017 following the establishment of the BOX Trading Floor.⁵¹ In 2017, the Exchange believed it appropriate to adopt lower fine amounts as the new trading floor was established and to be more consistent with the other fines listed within the Exchange's MRVP. However, the Exchange's Trading Floor is now well-established, and the Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing certain trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter

⁵¹ See supra note 20.

trading floor violations. The Exchange notes that this proposed change will bring the sanctions more in line with the fine schedules at NYSE Arca.⁵² As such, the proposed rule change is also designed to benefit investors by providing more consistent penalties across the MRVPs of the Exchange and another exchange.

The Exchange believes that updating the language within certain minor rule violations listed within Rule 12140 to use the term “violation” instead of “occurrence” when detailing the number of violations within the fine schedules will provide greater clarity and consistency in the terminology used within the Exchange’s MRVP. Within the MRVP, the Exchange interprets a violation to mean a singular rule violation, while and multiple violations may be deemed to constitute one offense. The Exchange believes that changing “offense” to “violation” in Rule 12140(d)(3), “occurrence” to “offense” in Rule 12140(d)(5), and “occurrence” to “violation” in Rule 12140(e)(1)-(12) is appropriate because it will help clarify this distinction between offense and violation by updating the language in the MRVP to only use the term offense when the listed fines cover multiple violations grouped together. The Exchange also believes that the proposed technical changes to renumber and update the language in certain minor rule violations would not be inconsistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from increased clarity and transparency, thereby reducing potential confusion.

In requesting the proposed additions to BOX Rule 12140(d), the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. Minor rule fines provide a meaningful sanction for minor or technical violations of rules when the conduct at issue does not warrant stronger, immediately

⁵² See NYSE Arca Rule 10.12.

reportable disciplinary sanctions. The inclusion of a rule in the Exchange's MRVP does not minimize the importance of compliance with the rule, nor does it preclude the Exchange from choosing to pursue violations of eligible rules through a Letter of Consent if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the Exchange believes that the proposed rule change will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Rather, the option to impose a minor rule sanction gives the Exchange additional flexibility to administer its enforcement program in the most effective and efficient manner while still fully meeting the Exchange's remedial objectives in addressing violative conduct. Specifically, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations relating to the Anti-Money Laundering Compliance Program (Rule 10070), Lead Market Maker Continuous Quoting (Rule 8055), Exercise Limits (Rule 3140), and Maintenance, Retention and Furnishing of Books, Records and Other Information (Rule 10000) where a more formal disciplinary action may not be warranted or appropriate.

Item 4. 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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended to address competitive issues but rather is concerned solely with updating its MRVP in connection with rules eligible for a minor rule fine disposition. The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. The

Exchange notes that the proposed additional violations are similar to minor rule violations designated in the MRVPs on other options exchanges.⁵³

The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. Further, the proposal relates to the Exchange's role and responsibilities as a self-regulatory organization and the manner in which it disciplines its Participants and associated persons for violations of its rules. As such, 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.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

Item 6. Extension of Time Periods for Commission Action

The Exchange does not consent to an extension of the time period for Securities and Exchange Commission (the "Commission") action on the proposed rule change specified in Section 19(b)(2) of the Act.⁵⁴

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

⁵³ Cboe Options, NYSE American, and NYSE Arca have rule provisions in their minor rule violation plans that address exercise limits and market maker continuous quoting obligations. NYSE Arca and Cboe Options have rule provisions in their MRVPs that address failures related to AML Program Implementation. Additionally, NYSE Arca has rule provisions in its MRVP that address various recordkeeping violations. See Cboe Options Rule 13.15(g). See also NYSE American Rule 9217. See also NYSE Arca Rule 10.12.

⁵⁴ 15 U.S.C. 78s(b)(2).

(d) The Exchange respectfully requests accelerated approval of Amendment No. 1. As outlined in the attached Exhibit 4, Amendment No. 1 made the following changes to the original proposal:

The Exchange added language in Item 3 herein regarding the proposed clarifying and non-substantive changes to the MRVP to conform the Exchange's use and understanding of the terms "offense," "violation," and "rolling" and eliminate the use of the term "occurrence." The Exchange believes this change is reasonable as it adds detail and clarity to the fine schedules by clarifying the Exchange's interpretation of these terms as used within the MRVP and the fine schedules.

Next, Amendment 1 proposes to remove the language from Rule 12140(d)(6) that states "Violations of Rule 8050(e) or Rule 8055(c)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days." With the proposed updates to the fine schedule replacing the fine of \$300 per day to a fine of \$1,500, this language is no longer necessary. The Exchange also provided additional detail regarding the application of the rule and the proposed changes to the fine schedule. The Exchange believes that removing this language and adding detail regarding the application of the rule will clarify the proposed updates to the fine schedule and may help reduce Participant confusion over the Exchange's application of the fines within BOX Rule 12140(d)(6).

The Exchange also added language in Item 3 herein regarding the proposed changes to the fine schedule within BOX Rule 12140(e)(2) Failure to Properly Record Orders. The Exchange is proposing to increase and strengthen the sanctions imposed under this section. The Exchange believes that this change is reasonable as these changes are reflected in the Exhibit 5

but were not previously explained and discussed herein. This changes adds detail regarding the proposed changes to BOX Rule 12140(e)(2) and the Exchange's purpose and rationale behind the proposed changes. The Exchange also removed and replaced certain language in Item 3 herein, regarding the increasing and strengthening of certain sanctions within the MRVP. The Exchange believes that updating the rationale for the increasing of such sanctions to focus on the deterrence of violative conduct is reasonable as it provides a clearer reasoning behind the proposed changes.

The Exchange also added language in Item 3 herein regarding the proposed changes to the fine schedule within BOX Rule 12140(e)(3) Failure to Properly Execute a QOO Order and (5) Discretionary Transactions. The Exchange is proposing to change "occurrence" to "violation" within these sections to provide greater conformity within the Exchanges MRVP. The Exchange is not proposing to update the current fine amounts under Rule 12140(e)(3) or (5). The Exchange believes that this change is reasonable as these changes are reflected in the Exhibit 5 but were not previously explained and discussed herein. This changes adds detail regarding the proposed changes to BOX Rule 12140(e)(3) and (5) and the Exchange's purpose and rationale behind the proposed changes.

Amendment 1 updated language in the heading of the fine schedule within BOX Rule 12140(d)(1) to change "violations" to "offenses". The Exchange believes this change is reasonable as it adds detail and clarity to the fine schedules by clarifying the Exchange's use of these terms as used within the fine schedules. The Exchange believes this change may help reduce Participant confusion over the Exchange's application of the fines within BOX Rule 12140(d)(1).

Lastly, the Exchange made clarifying updates throughout Items 3 and 4 herein to improve clarity, readability, and consistency with the proposed updates to the Exhibit 5. The Exchange

believes this change may help reduce confusion over the Exchange's proposed changes and updates. This change adds detail regarding the proposed changes to BOX Rule 12140(d) and (e). The Exchange believes that good cause exists for accelerated effectiveness of the proposed rule change because it seeks to strengthen the Exchange's ability to carry out its oversight and enforcement functions, deter potential violative conduct, and provide greater conformity with the terms used within the MRVP. The Exchange believes that approval of the proposed rule change on an accelerated basis will serve to protect the interests of investors and the public interest by adding certain rules as eligible for a minor rule disposition under its MRVP that the Exchange believes are minor in nature and consistent with violations at other options exchanges. The Exchange also believes that approval of the proposed rule change on an accelerated basis will serve to protect the interests of investors and the public interest by allowing the Exchange to increase sanctions related to certain minor rule violations to more effectively deter violative conduct and strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted. Additionally, if the violations are so severe that the fines under the MRVP are not sufficient, the Exchange will continue to be able to proceed with its formal disciplinary process for violations of these rules. The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. Further, the Exchange notes that the proposed technical changes to renumber certain rules and update the language to clarify the meaning of certain terms within the MRVP will protect investors and the public interest by providing them with more clear and accurate rules. The Exchange believes that approval of the proposed rule change on an accelerated basis will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter

potential violative conduct as soon as feasible. For the reasons discussed above, the Exchange respectfully requests acceleration of the effectiveness of the proposed rule changes.

Item 8. Proposed Change Based Upon Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based, in part, on Cboe Options Rule 13.15, NYSE American Rule 9217, and NYSE Arca Rule 10.12.⁵⁵

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

1. Form of Notice of the Proposed Rule Change for Publication in the Federal Register.
4. Text of Proposed Rule Change as Amended.
5. Text of the Proposed Rule Change.

⁵⁵ See Cboe Options Rule 13.15. See also NYSE American Rule 9217. See also NYSE Arca Rule 10.12.

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-BOX-2022-08)

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Proposed Rule Change to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), to expand the list of violations eligible for disposition under the Exchange’s Minor Rule Violation Plan and update the fine schedule applicable to minor rule violations related to certain rule violations.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [DATE], 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), to expand the list of violations eligible for disposition under the Exchange’s Minor Rule Violation Plan (“MRVP”) and update the fine schedule applicable to minor rule violations related to certain rule violations. This rule change replaces and supersedes SR-BOX-2022-08³ in its entirety. 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://boxoptions.com>.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 94729 (April 15, 2022) (SR-BOX-2022-08) (“Original Filing”).

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization 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 purpose of the proposed rule change is to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), which governs the Exchange's MRVP, in connection with certain minor rule violations, applicable fines, as well as other clarifying and non-substantive changes to improve the consistency of the Exchange's MRVP with the MRVPs at other options exchanges. Specifically, the proposed rule change amends Rule 12140 by: (1) adding certain rule violations that the Exchange believes to be minor in nature and consistent with violations at other options exchanges; (2) updating the fine schedule applicable to minor rule violations related to certain rule violations; and (3) making other clarifying and non-substantive changes.

The MRVP provides that in lieu of commencing a disciplinary proceeding, the Exchange may, subject to the certain requirements set forth in the Rule, impose a fine, not to exceed \$5,000, on any Options Participant, or person associated with or employed by an Options Participant, with respect to any Rule violation listed in Rule 12140(d) or (e) discussed below. Any fine imposed pursuant to this Rule that (i) does not exceed \$2,500 and (ii) is not contested, shall be reported on a periodic basis, except as may otherwise be required by Rule 19d-1 under the Act or by any other regulatory authority.

Further, the Rule provides that any person against whom a fine is imposed under the Rule shall be served with a written statement setting forth: (i) the Rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested, which date shall be not less than twenty-five (25) calendar days after the date of service of such written statement. Rule 12140 (d) and (e) set forth the list of specific Exchange Rules under which an Options Participant or person associated with or employed by an Options Participant may be subject to a fine for violations of such Rules and the applicable fines that may be imposed by the Exchange. As with all the violations incorporated into its MRVP, the Exchange will proceed under this Rule only for violations that are minor in nature. Any other violation will be addressed pursuant to Rules 12030 (Letters of Consent) or 12040 (Charges).

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to the MRVP. The Exchange is proposing to update language within the MRVP to remove the term “occurrence” and replace it with “violation” when the term is being used to represent a singular instance and “offense” when the term may be used to represent multiple violations aggregated together. The Exchange is proposing these changes to improve the consistency of the use of these terms within the MVRP. The Exchange is also proposing to update any use of the term “running” to “rolling” within the MRVP fine schedules. There is no substantive difference in the Exchange’s interpretation of the term “running” and “rolling.” The purpose of these changes is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the

MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed changes are intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges.

Exercise Limits

First, the Exchange proposes to amend 12140(d)(1), Position Limits to include violations of Exercise limits pursuant to Rule 3140⁴. The Exchange believes that amending Rule 12140(d)(1), Position Limits, to include violations of Exercise Limits pursuant to BOX Rule 3140 is appropriate because it will allow the Exchange to carry out its regulatory responsibility more efficiently and in a manner that is consistent with the way it handles violations of position limits. Violations of position and exercise limits on the Exchange generally occur together, so adding exercise limits to the existing position limits minor rule violation will allow the Exchange to address these related violations more effectively. The Exchange proposes that the fine levels for exercise limit violations match the current fine levels for position limits. The Exchange is also proposing to update the language in the heading of the fine schedule to change "violations" to "offenses". The Exchange believes this change is reasonable as it adds detail and clarity to the fine schedules by clarifying the Exchange's use of these terms as used within the fine schedules. The Exchange believes this change may help reduce Participant confusion over the Exchange's application of the fines within BOX Rule 12140(d)(1).

⁴ The Exchange notes that BOX Rule 3140 establishes a limit on the number of option contracts of a single class that an Options Participant can exercise within any five consecutive business days. Exercise limits are fixed by the Exchange pursuant to Rule 3140 and vary by class of options. See BOX Rule 3140.

Under this rule, any Participant who violates Rule 3120 or Rule 3140 regarding position or exercise limits shall be subject to the fines listed below. The Exchange notes that this proposal is consistent with the MRVPs in place at Cboe Exchange, Inc. (“Cboe Options”), NYSE American, LLC (“NYSE American”) and NYSE Arca, Inc. (“NYSE Arca”).⁵

Number of Cumulative Offenses Within Any Rolling Twenty-Four Month Period	Sanction
First Offense	\$500
Second Offense	\$1,000
Third Offense	\$2,500
Fourth and Each Subsequent Offense	\$5,000

Requests for Trade Data

As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to amend Rule 12140(d)(3) Requests for Trade Data pursuant to Rule 10040, to change “offense” to “violation” within the fine schedule. The Exchange is proposing this change to clarify the distinction between offense and violation by updating the terminology to only use the term “offense” when the listed fines are meant to cover multiple violations. The purpose of these changes is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. As such, the Exchange is proposing to amend Rule 12140(d)(3) Requests for Trade Data pursuant to Rule 10040, to change “offense” to “violation” within the fine schedule. The Exchange believes this proposed clarifying and non-substantive change is appropriate because it will help clarify this distinction between

⁵ See Cboe Options Rule 13.15(g)(1). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(21).

offense and violation by updating the terminology to only use the term “offense” when the listed fines are meant to cover multiple violations. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(d)(3). The Exchange proposes to update the fine schedule as follows:

Number of Violations Within One Calendar Year	Sanction
2nd Violation	\$500
3rd Violation	\$1,000
4th Violation	\$2,500
Subsequent Violations	Formal Disciplinary Action

Quotation Parameters

The Exchange is also proposing to amend Rule 12140(d)(5) Quotation Parameters to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. The Exchange believes that removing the lesser penalty (Letter of Caution) for the first, second, and third offenses in order to provide fines for the first, second, and third

offenses and, ultimately, formal disciplinary proceedings for the fourth offense and thereafter during one calendar year is appropriate. The Exchange believes this fine structure may serve to deter repeat-offenders more effectively. The Exchange notes this proposed change will bring the sanctions for violations regarding spread parameters or market maker quotations in line with the sanctions imposed by NYSE Arca.⁶

Rule 12140(d)(5) currently permits the Exchange to issue a Letter of Caution for the first, second, and third occurrence within a one calendar year running basis. For the fourth, fifth, sixth occurrences during a one-year running period, the fine schedule currently permits the Exchange to issue a fine of \$250, \$500, and \$1,000, respectively. The fine schedule also provides that for the seventh occurrence and thereafter, during a one-year running period, the sanction is discretionary with the Hearing Committee. The proposed rule change updates the fine schedule to provide that, on a one-year rolling basis, the Exchange may apply a fine of \$1,000 for a first offense, may apply a fine of \$2,500 for a second offense, may apply a fine of \$3,500 for a third offense, and may proceed with formal disciplinary action for a fourth offense and thereafter.

As described above, the Exchange is proposing to update the language to use “offense” or “violation” instead of “occurrence” and “rolling” instead of “running” within the fine schedule for consistency within the MRVP and to clarify the Exchange’s usage of such terms. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow

⁶ See NYSE Arca Rule 10.12(k)(i)(41).

the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this proposed amendment, any Participant who violates Rule 8040(a)(7) regarding spread parameters or market maker quotations shall be subject to the fines listed below.

Fine Schedule (Implemented on a one-year rolling basis)	Sanction
1 st Offense	\$1,000
2 nd Offense	\$2,500
3 rd Offense	\$3,500
4 th Offense and Thereafter	Formal Disciplinary Action

Lead Market Maker Continuous Quoting

Next the Exchange proposes to amend Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Marker Makers pursuant to BOX Rule 8050(e) and Rule 8055(c)(1). The Exchange believes that amending Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Marker Makers pursuant to BOX Rule 8055(c)(1) is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles continuous quoting violations for all types of Market Makers.⁷

⁷ The Exchange adopted Rule 7135 (Execution and Pro Rata Priority) to establish and govern pro rate execution on BOX and Rule 8055 (Lead Market Makers) which details the designation and obligations of Lead Market Makers on BOX. Rule 7350(c)(2) details Lead Market Maker Priority and Lead Market Makers may be assigned by the Exchange in each options class in accordance with Rule 8055. The Exchange now proposes to include Lead Market Maker Continuous Quoting in its MRVP. See Securities Exchange Act Release No. 91897 (May 14, 2021), 86 FR 27490 (May 20, 2021) (SR-BOX-2021-11).

The Exchange is also proposing to increase and strengthen the sanctions imposed under this section, which the Exchange believes will more effectively deter violative conduct. The Exchange notes that this proposed change will bring the sanctions for violations of continuous quoting obligations in line with the sanctions imposed by Cboe Options.⁸ Rule 12140(d)(6) currently permits the Exchange to give a Letter of Caution for the first violation within one calendar year. For subsequent violations during the same period, the fine schedule permits the Exchange to issue a fine of \$300 per day. The Exchange proposes to update the fine schedule as follows:

Violations Within One Calendar Year	Sanction
1 st Violation	Letter of Caution
2 nd Violation	\$1,500
3 rd Violation	\$3,000
Subsequent Violations	Formal Disciplinary Action

The proposed rule change updates the fine schedule to provide that, during one calendar year, the Exchange may give a Letter of Caution for a first violation, may apply a fine of \$1,500 for a second violation, may apply a fine of \$3,000 for a third violation, and may proceed with formal disciplinary action for subsequent violations.⁹ As described above, and as is the case for all rule violations covered under Rule 12140(d) and (e), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP. The Exchange believes that maintaining the lesser penalty (Letter of Caution) for a first violation and then providing

⁸ See Cboe Options Rule 13.15(g)(9).

⁹ The Exchange notes that Cboe Options has identical sanctions in place. See Cboe Options Rule 13.15(g)(9).

higher fines for second and third violations and, ultimately, formal disciplinary proceedings for any subsequent violations during one calendar year is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a smaller fine range for any violations that may come after a first violation). The Exchange believes this fine structure may serve to deter repeat-offenders while providing reasonable warning for a first violation within one calendar year.

Under this proposed amendment, any Participant who violates Rule 8050(e) or Rule 8055(c)(1) regarding Market Maker or Lead Market Maker continuous quotes shall be subject to the fines listed above. In calculating fine thresholds for each Market Maker or Lead Market Maker, all violations occurring within the Surveillance Review Period as defined within the Exchange Surveillance Procedures in any of that Market Maker or Lead Market Maker's appointed classes are to be added together.¹⁰

The Exchange is also proposing to remove language from Rule 12140(d)(6) that states "Violations of Rule 8050(e) or Rule 8055(c)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days." With the proposed updates to the fine schedule replacing the fine of \$300 per day with a fine of \$1,500, this language is no longer necessary. This language was originally included to allow the Exchange to fine a Participant \$300 per day for each consecutive trading day during which a violation occurs. The Exchange is proposing to

¹⁰ The referenced Surveillance Review Period is a quarterly review period that is specified within the Exchange Surveillance Procedures, which are utilized by FINRA's options surveillance group. As specified within the referenced Exchange Surveillance Procedures, staff will determine the total number of days throughout the quarter in which the market maker quoted less than 60% of the aggregate quotable time of all its appointed classes after each series was opened.

reformat the fine schedule and remove the listed fine of \$300 per day. The Exchange is now proposing a fine of \$1,500 for a second violation, a fine of \$3,000 for a third violation, and formal disciplinary action for any subsequent violations. Under the new format, the language allowing consecutive trading day violations for up to fifteen days to be fined separately is no longer consistent or feasible. Under the MRVP, a Participant may only be fined a maximum of \$5,000 and with the greater fines being proposed the previous fine structure no longer applies. The Exchange believes that removing this language will clarify the proposed updates to the fine schedule and may help reduce Participant confusion over the Exchange's application of the fines within BOX Rule 12140(d)(6). The Exchange notes that Cboe Options, and NYSE Arca have similar rule provisions in their MRVPs addressing Market Maker and Lead Market Maker continuous quoting obligations.¹¹

Mandatory Systems Testing

The Exchange is also proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms "and thereafter" and "subsequent" instead of "or more" when detailing the number of violations. There is no substantive difference in the Exchange's interpretation between "or more" and "subsequent" or "and thereafter". The purpose of the change is to provide greater clarity within the Exchange's own MRVP by using more consistent terminology. The Exchange proposes to amend 12140(d)(7), Mandatory Systems Testing pursuant to BOX Rule 3180, to change "or more" to "and thereafter" within the fine schedule. The Exchange

¹¹ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 3180 regarding the failure to conduct or participate in the testing of computer systems, or failure to provide required reports or maintain required documentation, shall be subject to the fines listed below.

Violations Within One Calendar Year	Sanction
First Violation	\$250
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2000
Fifth Violation and Thereafter	Formal Disciplinary Action

Maintenance, Retention and Furnishing of Books, Records and Other Information

Next, the Exchange proposes to adopt 12140(d)(10), Maintenance, Retention and Furnishing of Books, Records and Other Information pursuant to BOX Rule 10000. Under this rule, any Participant who violates Rule 10000 regarding the failure to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange shall be subject to the fines listed below.

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth Violation and Thereafter	\$5,000 or Formal Disciplinary Action

The Exchange believes the adoption of Rule 12140(d)(10) into the MRVP is appropriate because it will allow the Exchange to carry out its regulatory responsibility more efficiently and help deter BOX Participants from failing to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange. The Exchange notes that adding this provision will help ensure consistency within the MRVP's of the various options exchanges. NYSE American and NYSE Arca have rule provisions within their respective minor rule violation plans that addresses similar recordkeeping violations.¹² Further, the proposed fine schedule for these types of violations is similar to the recordkeeping sanctions imposed by NYSE American and NYSE Arca.¹³

Anti-Money Laundering Compliance Program

The Exchange also proposes to adopt 12140(d)(11), Anti-Money Laundering Compliance Program pursuant to BOX Rule 10070. Under this Rule any Participant who

¹² NYSE American and NYSE Arca have subsections within their MRVPs listing numerous specific recordkeeping violations. NYSE American Rule 9217 and NYSE Arca Rule 10.12 contain minor rule violations regarding failures to comply with the books and records requirements of Rule 324 and failures to furnish in a timely manner books, records or other requested information or testimony in connection with an examination of financial responsibility and/or operational conditions. See NYSE American Rule 9217(ii). See also NYSE Arca Rule 10.12(k)(iii).

¹³ The NYSE American and NYSE Arca MRVPs contain numerous recordkeeping minor rule violations with fines ranging from \$500 to \$5,000 depending on the specific violation and the fine level. See NYSE American Rule 9217 (ii). See also NYSE Arca Rule 10.12(k)(iii).

violates Rule 10070 regarding the failure to satisfy the anti-money laundering compliance program requirements shall be subject to the fines listed below. The Exchange believes the adoption of Rule 12140(d)(11), is appropriate because it will help deter BOX Participants from failing to satisfy the requirements of the anti-money laundering compliance program. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently with respect to violations of BOX Rule 10070. The Exchange notes that this proposed addition is consistent with the minor rule violations relating to anti-money laundering program failure with the MRVPs at NYSE American and NYSE Arca.¹⁴ Additionally, Cboe Options has a rule provision in its MRVP that addresses violations related to anti-money laundering implementation relating to the failure to designate a person responsible for implementing and monitoring the anti-money laundering compliance program.¹⁵ The proposed fine schedule provides that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for an initial violation and \$2,500 for subsequent violations. The Exchange believes that the proposed sanctions are appropriate, as they will provide sufficient warning to first time offenders, while deterring repeat offenders. These sanctions are identical to the sanctions applied by Cboe Options and similar to the sanctions applied by NYSE American and NYSE Arca for minor rule violations relating to anti-money laundering compliance program violations.¹⁶

Number of Violations Within Any Twenty-Four Month Rolling	Sanction
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¹⁴ See NYSE American Rule 9217(ii)(12). See also NYSE Arca Rule 10.12(k)(iii)(12).

¹⁵ See Cboe Options Rule 13.15(g)(13).

¹⁶ Cboe Options applies sanctions of \$1000 for a first offense and \$2500 for subsequent offenses., while NYSE American and NYSE Arca have sanctions of \$2,000 for 1st level, \$4,000 for 2nd level, and \$5,000 for third level. See Cboe Options Rule 13.15(g)(13). See also NYSE American Rule 9217(ii)(12). See also NYSE Arca Rule 10.12(k)(iii)(12).

Period	
Initial Violation	\$1,000
Subsequent Violations	\$2,500

Locked and Crossed Market Violations

The Exchange is proposing to amend current Rule 12140(d)(10)¹⁷ Locked and Crossed Market Violations to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions for violations relating to locked and crossed markets is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. The Exchange notes this proposed change will bring the sanctions for violations regarding procedures to be followed in the instance of a Locked Market or a Crossed Market more in line with the sanctions imposed by Cboe Options.¹⁸ Rule 12140(d)(10) currently permits the Exchange to issue a Letter of Caution for an initial violation within a twelve-month rolling period. The current fine schedule also permits the Exchange to apply a fine of \$250 for a second violation, \$500 for a third violation, and formal disciplinary action for the fourth violation or more within a twelve-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twelve-month rolling period, the Exchange may apply a fine of \$500 for an initial violation, may apply a fine of \$2,500 for

¹⁷ As discussed above, this proposed rule change subsequently renumbers current Rule 12140 (d)(10) to (d)(12) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

¹⁸ Cboe Option's MRVP provides for sanctions of \$500-1,000 for a first offense, \$1,000-2,500 for a second offenses, and \$2,500-5,000 and a Staff Interview for subsequent offenses. See Cboe Options Rule 13.15(g)(8).

a second violation, and may apply a fine of \$5,000 or proceed with formal disciplinary action for subsequent violations. Under this proposed amendment, any Participant who violates Rule 15020 regarding procedures to be followed in the instance of a Locked or Crossed Market shall be subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$2,500
Subsequent Violations	\$5,000 or Formal Disciplinary Action

Market Maker Assigned Activity Violations

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(11),¹⁹ Market Maker Assigned Activity Violations pursuant to BOX Rule 8030(e), to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently

¹⁹ As discussed above, this proposed rule change subsequently renumbers Rule 12140 (d)(11) to (d)(13) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 8030(e) regarding the failure of Market Makers to limit their execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, is subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2500
Fifth Violation and Thereafter	Formal Disciplinary Action

Request for Quote Violations

As detailed above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(12),²⁰ Request for Quote Violations pursuant to

²⁰ As discussed above, this proposed rule change subsequently renumbers Rule 12140 (d)(12) to (d)(14) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

BOX Rule 8050(c)(2) - (c)(4), to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 8050(c)(2) - (c)(4) regarding the failure of a Market Maker to respond to a Request for Quote ("RFQ") on BOX, is subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation and Thereafter	Formal Disciplinary Action

Trade Through Violations

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The

Exchange proposes to amend current Rule 12140(d)(13),²¹ Trade Through Violations pursuant to BOX Rule 15010, to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 15010(a) regarding trade throughs is subject to the fines listed below.

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth Violation and Thereafter	\$5,000 or Formal Disciplinary Action

Trading Floor Violations Fine Schedules

The Exchange is proposing to update the fine schedules applicable to minor rule violations related to certain Trading Floor violations listed in Rule 12140(e) to increase and strengthen the sanctions. The Exchange adopted the minor rule violations and corresponding fines under Rule 12140(e) in 2017 following the establishment of the BOX

²¹ As discussed above, this proposed rule change subsequently renumbers Rule 12140 (d)(13) to (d)(15) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

Trading Floor.²² In adopting its current trading floor minor rule violations, the Exchange believed it appropriate to adopt a lower fine amount than in place at NYSE Arca as the new trading floor was established and to be more consistent with the other fines within the Exchange's own MRVP. However, the Exchange's Trading Floor is now well-established, with a greater number of Participants, and the Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions more in line with the fine schedules in place at NYSE Arca.²³

The Exchange is also proposing to update the language within each minor rule violation listed within Rule 12140(e) to use the term "violation" instead of "occurrence" when detailing the number of violations within the fine schedules to provide consistency in the terminology used within the Exchange's MRVP. Within the MRVP, the Exchange interprets violation to mean one instance, while multiple violations may be deemed to constitute one offense. As noted above, the Exchange believes that changing "occurrence" to "violation" in BOX Rule 12140(e)(1)-(12) is appropriate to provide consistency within the terms used and the Exchange's interpretation of the terms. The Exchange is proposing to remove the term "occurrence" from the MRVP and proposes to replace "occurrence" with "violation" for a singular violation and "offense" when the listed fines are meant to cover multiple violations. The Exchange is proposing these

²² See Securities Exchange Act Release No. 81398 (August 15, 2017), 82 FR 39630 (August 21, 2017) (SR-BOX-2017-26).

²³ See NYSE Arca Rule 10.12.

changes to improve consistency within the usage of these terms and to conform the fine schedules to the Exchange's new understanding that a violation covers a singular rule violation, while multiple violations may be aggregated to constitute an offense. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges.

General Responsibilities of Floor Brokers. The Exchange is proposing to amend Rule 12140(e)(1), General Responsibilities of Floor Brokers pursuant to BOX Rule 7570, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions in line with the sanctions imposed by NYSE Arca.²⁴ Rule 12140(e)(1) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine

²⁴ See NYSE Arca Rule 10.12 (k)(i)(1).

schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$5,000 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Broker who violates Rule 7580(e) regarding the failure to use due diligence when handling an order, to cause the order to be executed at the best price or prices available to him in accordance with the Rules of the Exchange shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$5,000
Subsequent Violations	Formal Disciplinary Action

Failure to Properly Record Orders. The Exchange is also proposing to amend Rule 12140(e)(2) Failure to Properly Record Orders pursuant to BOX Rule 7580(e), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²⁵ Rule 12140(e)(2) currently permits the Exchange to

²⁵ See NYSE Arca Rule 10.12 (k)(i)(2).

apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$500 for the first violation, \$1,000 for a second violation, \$2,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 7580(e) regarding the failure to comply with the order format and system entry requirements on the Trading Floor shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Subsequent Violations	Formal Disciplinary Action

Failure to Properly Execute a QOO Order. As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to amend Rule 12140(e)(3) Failure to Properly Execute a QOO Order pursuant to Rule 7600, to change “occurrence” to “violation” within the fine schedule. The Exchange is proposing this change to update the language within the MRVP to remove the term “occurrence” and replace it with “violation” when the term is being used to represent a singular instance and “offense” when the term may be used to represent multiple violations aggregated together. The Exchange is proposing these changes to improve the consistency of the use of these terms within the MVRP. The Exchange

believes these proposed technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(e)(3). The Exchange proposes to update the fine schedule as follows:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,000
Subsequent Violations	Formal Disciplinary Action

Trading Conduct and Order & Decorum on the Trading Floor. The Exchange is also proposing to amend Rule 12140(e)(4) Trading Conduct and Order & Decorum on the Trading Floor pursuant to BOX Rule 2120(b)-(d), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE

Arca.²⁶ Rule 12140(e)(4) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,000 for a second violation, \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 2120(b)-(d) regarding Trading Floor Conduct and decorum shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,000
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Discretionary Transactions. As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to amend Rule 12140(e)(5) Discretionary Transactions pursuant to Rule 7590, to change “occurrence” to “violation” within the fine schedule. The Exchange is proposing this change to update the language within the MRVP to remove the term “occurrence” and replace it with “violation” when the term is being used to represent a singular instance and “offense” when the term may be used to represent multiple violations aggregated together. The Exchange is proposing these changes to improve the consistency of the use

²⁶ See NYSE Arca Rule 10.12 (k)(i)(16).

of these terms within the MVRP. The Exchange believes these proposed technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(e)(5). The Exchange proposes to update the fine schedule as follows:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$250
Second Violation	\$500
Third Violation	\$1,000
Subsequent Violations	Formal Disciplinary Action

Floor Participant Not Available to Reconcile an Uncompared Trade. The Exchange is proposing to amend Rule 12140(e)(6) Floor Participant Not Available to Reconcile an Uncompared Trade pursuant to BOX Rule 8530, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE

Arca.²⁷ Rule 12140(e)(6) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that the Exchange may apply a fine of \$500 for the first violation, \$1,000 for a second violation, \$2,500 for a third violation, and may proceed with formal disciplinary action for any subsequent violations within any rolling twenty-four-month period. Under this proposed amendment, any Floor Participant who violates Rule 8530 regarding the resolution of uncomparated trades shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Subsequent Violations	Formal Disciplinary Action

Floor Participant Communications and Equipment. The Exchange is also proposing to amend Rule 12140(e)(7) Floor Participant Communications and Equipment pursuant to BOX Rule 7660, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings

²⁷ See NYSE Arca Rule 10.12(k)(i)(9).

these sanctions in line with the sanctions imposed by NYSE Arca.²⁸ Rule 12140(e)(7) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, and \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Improper Vocalization of a Trade. The Exchange is also proposing to amend Rule 12140(e)(8) Improper Vocalization of a Trade pursuant to BOX Rule 100(b)(5), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The

²⁸ See NYSE Arca Rule 10.12(k)(i)(12).

Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁹ Rule 12140(e)(8) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 100(b)(5) regarding the requirements for public outcry shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Floor Market Maker Failure to Comply with Quotation Requirements. The Exchange is also proposing to amend Rule 12140(e)(9) Floor Market Maker Failure to Comply with Quotation Requirements pursuant to BOX Rule 8510(c)(2), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other

²⁹ See NYSE Arca Rule 10.12(k)(i)(14).

options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³⁰ Rule 12140(e)(9) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, and \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 8510(c)(2) regarding a Floor Market Maker's Obligation of Continuous Open Outcry Quoting shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Floor Market Maker Quote Spread Parameters. The Exchange is also proposing to amend Rule 12140(e)(10) Floor Market Maker Quote Spread Parameters pursuant to BOX Rule 8510(d)(1), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct

³⁰ See NYSE Arca Rule 10.12(k)(i)(39).

on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³¹ Rule 12140(e)(10) currently permits the Exchange to give a Letter of Caution for a first occurrence, apply a fine of \$250 for a second occurrence, apply a fine of \$500 for a third occurrence, and proceed with formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$3,500 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 8510(d)(1) regarding legal bid/ask differential requirements shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$3,500
Subsequent Violations	Formal Disciplinary Action

Floor Broker Failure to Honor the Priority of Bids and Offers. The Exchange is also proposing to amend Rule 12140(e)(11) Floor Broker Failure to Honor the Priority of Bids and Offers pursuant to BOX Rule 7610(d), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening

³¹ See NYSE Arca Rule 10.12(k)(i)(41).

these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³² Rule 12140(e)(11) currently permits the Exchange to apply a fine of \$500 for a first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and may proceed with formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first violation, \$2,500 for a second violation, \$5,000 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$1,000
Second Violation	\$2,500
Third Violation	\$5,000
Subsequent Violations	Formal Disciplinary Action

Floor Broker Failure to Identify a Broker Dealer Order. The Exchange is also proposing to amend Rule 12140(e)(12) Floor Broker Failure to Identify a Broker Dealer

³² See NYSE Arca Rule 10.12(k)(i)(40).

Order pursuant to BOX Rule IM-7580-2 to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³³ Rule 12140(e)(12) currently permits the Exchange to apply a fine of \$250 for a first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and may proceed with formal disciplinary action for subsequent offenses within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$500 for the first violation, \$1,500 for a second violation, \$3,000 for a third violation, and formal disciplinary action for subsequent violations. Under this proposed amendment, any Floor Participant who violates Rule IM-7580-2 regarding a Floor Broker's responsibility to identify its orders shall be subject to the fines listed below.

Number of Violations Within Any Rolling 24-Month Period	Sanction
First Violation	\$500
Second Violation	\$1,500
Third Violation	\$3,000
Subsequent Violations	Formal Disciplinary Action

³³ See NYSE Arca Rule 10.12(k)(i)(11).

The Exchange believes Exercise Limits (Rule 3140), Lead Market Maker Continuous Quoting (Rule 8050(e)), Maintenance, Retention, and Furnishing of Books, Records, and Other Information (Rule 10000), and Anti-Money Laundering Compliance Program (Rule 10070) to be minor in nature and consistent with violations at other options exchanges, and therefore proposes to add them to the list of rules in Rule 12140(d) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of the rules listed above are suitable for incorporation into the MRVP because these violations are minor in nature and consistent with violations at other options exchanges. The Exchange notes that the proposed change is intended to provide for greater consistency across the Exchange's MRVP and the MRVPs of the other options exchanges. As detailed above, the Exchange is also proposing to increase and strengthen the fines for certain minor rule violations under Rule 12140. The Exchange believes that the proposed increased fines will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Specifically, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue greater fines and more effectively deter violative conduct.

The Exchange is also proposing to make additional technical and non-substantive changes to provide greater clarity and consistency within the Exchange's MRVP and with the MRVPs of the other options exchanges. As a result of the proposed addition of Rules 12140(d)(10) and (d)(11) above, the proposed rule change subsequently renumbers current Rules 12140(d)(10), (11), (12), (13), and (14), to Rules 12140(d)(12), (13), (14), (15), and (16), respectively. The Exchange is also proposing to amend the language

within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations. The Exchange proposes to update “or more” to “and thereafter” in Rule 12140(d)(7), (13),³⁴ (14),³⁵ and (15),³⁶ and “or more” to “subsequent” in Rules 12140(d)(6) and (12).³⁷ There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter.” The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³⁸

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁹ requirements that the rules of an exchange be designed to prevent

³⁴ As noted above, this is current Rule 12140(d)(11), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³⁵ As noted above, this is current Rule 12140(d)(12), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³⁶ As noted above, this is current Rule 12140(d)(13), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³⁷ As noted above, this is current Rule 12140(d)(10), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³⁸ 15 U.S.C. 78f(b).

³⁹ 15 U.S.C. 78f(b)(5).

fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴⁰ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange further believes that the proposed rule changes to Rule 12140(d) are consistent with Section 6(b)(6) of the Act,⁴¹ which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As noted, the proposed rule change adds certain rules as eligible for a minor rule fine disposition under the Exchange's MRVP. The Exchange believes that violations of these proposed rules are minor in nature and will be more appropriately disciplined through the Exchange's MRVP and is proposing to amend the fine schedules applicable to these additional rules to appropriately sanctions such failures.

The Exchange also believes that the proposed change is designed to provide a fair procedure for the disciplining of members and persons associated with members, consistent with Sections 6(b)(7) and 6(d) of the Act.⁴² Rule 12140, currently and as amended, does not preclude a Participant or person associated with or employed by a

⁴⁰ Id.

⁴¹ 15 U.S.C. 78f(b)(6).

⁴² 15 U.S.C. 78f(b)(7) and 78f(d).

Participant from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding. Finally, the Exchange believes that the proposed rule change will strengthen its ability to carry out its oversight responsibilities as a self-regulatory organization pursuant to the Act and reinforce its surveillance and enforcement functions.

The Exchange believes that the proposed rule change to add certain rules as eligible for a minor rule fine disposition under its MRVP, which it considers violations of such rules to be minor in nature and consistent with violations at other options exchanges, will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. The Exchange believes violations of the above-listed rules to be minor in nature and therefore proposes to add them to the list of rules in Rule 12140(d) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of the rules listed above are suitable for incorporation into the MRVP because these violations are generally minor in nature and consistent with violations at other options exchanges. Further, the Exchange will be able to carry out its regulatory responsibility more quickly and efficiently by incorporating these violations into the MRVP.

Specifically, the Exchange believes the adoption of Rule 12140(d)(10) Maintenance, Retention and Furnishing of Books, Records and Other Information pursuant to BOX Rule 10000 is appropriate because it will help deter BOX Participants from failing to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the

Exchange. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently. The Exchange believes that the lesser penalty of \$500 for an initial violation and then providing higher fines for second and third violations and the option of a fine of \$5,000 or formal disciplinary proceedings for a fourth violation and thereafter during a rolling twenty-four-month period is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders. The Exchange believes this fine structure may serve to deter repeat-offenders while providing a reasonable penalty for a first offense within a rolling twenty-four-month period. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10000.

The Exchange believes the adoption of Rule 12140(d)(11), Anti-Money Laundering Compliance Program pursuant to BOX Rule 10070 is appropriate because it will help deter BOX Participants from failing to satisfy the requirements of the anti-money laundering compliance program. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10070. The Exchange believes that the proposed fine structure permitting the Exchange to apply a fine of \$1,000 for a first violation and \$2,500 for subsequent violations is appropriate as this will effectively penalize both first time and repeat offenders. The Exchange believes that the proposed fines will be sufficient to warn against and help deter potentially violative conduct. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry

out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10070.

The Exchange believes that amending Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Marker Makers pursuant to BOX Rule 8055(c)(1) is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles Market Maker continuous quoting violations. The Exchange notes that Cboe Options, and NYSE Arca have rule provisions in their minor rule violation plans that address Market Maker and Lead Market Maker continuous quoting obligations.⁴³ Rule 12140(d)(6) currently permits the Exchange to give a Letter of Caution for the first violation within one calendar year. For subsequent violations during the same period, the fine schedule permits the Exchange to issue a fine of \$300 per day. The proposed rule change increases and strengthens the fine schedule to provide that, during one calendar year, the Exchange may give a Letter of Caution for a first violation, may apply a fine of \$1,500 for a second violation, may apply a fine of \$3,000 for a third violation, and may proceed with formal disciplinary action for subsequent violations. The Exchange believes that maintaining the lesser penalty (Letter of Caution) for a first violation and then providing higher fines for second and third violations and, ultimately, formal disciplinary proceedings for any subsequent violations during one calendar year is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a fine range for any violations that may come after a first violation). The Exchange believes this fine structure may serve to deter repeat-offenders

⁴³ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

while providing reasonable warning for a first violation within one calendar year. The Exchange believes that removing the language from Rule 12140(d)(6) that states “Violations of Rule 8050(e) or Rule 8055(c)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days” is reasonable because with the proposed updates to the fine schedule replacing the fine of \$300 per day with a fine of \$1,500, this language is no longer necessary. This language was originally included to allow the Exchange to fine a Participant \$300 per day for each consecutive trading day during which a violation occurs. The Exchange is proposing to reformat the fine schedule and remove the listed fine of \$300 per day. The Exchange is now proposing a fine of \$1,500 for a second violation, a fine of \$3,000 for a third violation, and formal disciplinary action for any subsequent violations. Under the new format, the language allowing consecutive trading day violations for up to fifteen days to be fined separately is no longer consistent or feasible. Under the MRVP, a Participant may only be fined a maximum of \$5,000 and with the greater fines being proposed the previous fine structure no longer applies. The Exchange also believes that removing this language will clarify the proposed updates to the fine schedule and may help reduce Participant confusion over the Exchange’s application of the fines within BOX Rule 12140(d)(6). The Exchange notes that Cboe Options, and NYSE Arca have similar rule provisions in their MRVPs addressing Market Maker and Lead Market Maker continuous quoting obligations.⁴⁴ The Exchange also notes that the proposed

⁴⁴ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

finest will bring the sanctions for violations of continuous quoting obligations in line with the sanctions currently imposed by Cboe Options.⁴⁵

The Exchange believes that adding Lead Market Maker Continuous Quoting to Rule 12140(d)(6) within the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 8055(c)(1). The Exchange notes that the proposed change will also provide for greater consistency across the Exchange's MRVP and the MRVPs of the other options exchanges. The Exchange believes violations of these rules to be minor in nature and would be more appropriately disciplined through the Exchange's MRVP. As described above, and as is the case for all rule violations covered under Rule 12140(d) and (e), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP.

The Exchange believes that amending Rule 12140(d)(1), Position Limits, to include violations of exercise limits pursuant to BOX Rule 3140 is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles violations of position limits. Violations of position and exercise limits on the Exchange generally occur contemporaneously, so adding exercise limits to the existing position limits minor rule violation will allow the Exchange to address these related violations more effectively. The Exchange is proposing to keep the fine levels for exercise limit violations the same as the current fine levels for position limits. The Exchange believes that updating the language in the heading of the fine schedule to change "violations" to "offenses" is

⁴⁵ See Cboe Options Rule 13.15(g)(9).

reasonable as it adds detail and clarity to the fine schedules by clarifying the Exchange's use of these terms as used within the fine schedules. The Exchange believes this change may help reduce Participant confusion over the Exchange's application of the fines within BOX Rule 12140(d)(1). The Exchange notes that this proposal is consistent with the MRVPs in place at Cboe Options, NYSE American, and NYSE Arca.⁴⁶

The Exchange believes that increasing and strengthening the sanctions in Rule 12140 (d)(5) and current Rule 12140(d)(10)⁴⁷ is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. As such, the Exchange believes that this will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

The Exchange believes that the proposed rule change to adopt Rules 12140(d)(10) and (11), and amend current Rules 12140(d)(1), (5), (6), (10)⁴⁸, (11)⁴⁹, (12)⁵⁰, (13)⁵¹, and (14)⁵² will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade and will serve to remove impediments to and perfect the mechanism of a free and open market and a national

⁴⁶ See Cboe Options Rule 13.15(g)(1). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(21).

⁴⁷ See *supra* note 37.

⁴⁸ *Id.*

⁴⁹ See *supra* note 34.

⁵⁰ See *supra* note 35.

⁵¹ See *supra* note 36.

⁵² As noted above, this proposed rule change subsequently renumbers current Rule 12140 (d)(14) to (d)(16) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

market system, and, in general, protect investors and the public interest. The Exchange notes that the proposed updates to the minor rule violations and subsequent sanctions will bring them more in line with the MRVPs in place at NYSE American, NYSE Arca, and Cboe Options, will promote greater consistency across the options exchanges and reduce investor confusion.

The Exchange believes that the proposed technical and clarifying changes are appropriate and benefit investors by adding clarity to the rules. The Exchange believes that the proposed rule change to renumber current Rules 12140(d)(10), (11), (12), (13), and (14), to Rules 12140(d)(12), (13), (14), (15), and (16), respectively, will benefit investors by adding clarity to the rules. The Exchange believes that updating the language to use “offense” or “violation” instead of “occurrence” and “rolling” instead of “running” within the fine schedule is appropriate will provide greater consistency in the terminology used within the Exchange’s MRVP and with the MRVPs of the other options exchanges. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. The Exchange also believes that amending the language within the fine schedules to use the terms “and thereafter” and “subsequent” instead of “or more” when detailing the number of violations will provide more clarity and may reduce investor confusion. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange believes these technical and non-substantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly

and efficiently by reducing confusion regarding terminology in its administration of the MRVP. The Exchange notes that the proposed change will also provide for greater consistency between the Exchange's MRVP and the MRVPs of the other options exchanges, which is designed to benefit investors by providing more consistent language among the various options exchanges.

The Exchange believes that the proposed rule change to update the fine schedule and language applicable to minor rule violations related to certain Trading Floor violations listed in Rule 12140(e) to increase the sanctions will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. Particularly, the Exchange believes that updating the fine schedule applicable to minor rule violations related to certain Trading Floor violations does not directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protection. The Exchange adopted the minor rule violations and corresponding fines under Rule 12140(e) in 2017 following the establishment of the BOX Trading Floor.⁵³ In 2017, the Exchange believed it appropriate to adopt lower fine amounts as the new trading floor was established and to be more consistent with the other fines listed within the Exchange's MRVP. However, the Exchange's Trading Floor is now well-established, and the Exchange believes that increasing and strengthening these sanctions is appropriate as the proposed more robust fine schedules may help deter violative conduct on BOX. The Exchange believes that increasing certain trading floor related sanctions to be more consistent with the other

⁵³ See supra note 22.

options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions more in line with the fine schedules at NYSE Arca.⁵⁴ As such, the proposed rule change is also designed to benefit investors by providing more consistent penalties across the MRVPs of the Exchange and another exchange.

The Exchange believes that updating the language within certain minor rule violations listed within Rule 12140 to use the term “violation” instead of “occurrence” when detailing the number of violations within the fine schedules will provide greater clarity and consistency in the terminology used within the Exchange’s MRVP. Within the MRVP, the Exchange interprets a violation to mean a singular rule violation, while and multiple violations may be deemed to constitute one offense. The Exchange believes that changing “offense” to “violation” in Rule 12140(d)(3), “occurrence” to “offense” in Rule 12140(d)(5), and “occurrence” to “violation” in Rule 12140(e)(1)-(12) is appropriate because it will help clarify this distinction between offense and violation by updating the language in the MRVP to only use the term offense when the listed fines cover multiple violations grouped together. The Exchange also believes that the proposed technical changes to renumber and update the language in certain minor rule violations would not be inconsistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from increased clarity and transparency, thereby reducing potential confusion.

In requesting the proposed additions to BOX Rule 12140(d), the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. Minor rule fines provide a

⁵⁴ See NYSE Arca Rule 10.12.

meaningful sanction for minor or technical violations of rules when the conduct at issue does not warrant stronger, immediately reportable disciplinary sanctions. The inclusion of a rule in the Exchange's MRVP does not minimize the importance of compliance with the rule, nor does it preclude the Exchange from choosing to pursue violations of eligible rules through a Letter of Consent if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the Exchange believes that the proposed rule change will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Rather, the option to impose a minor rule sanction gives the Exchange additional flexibility to administer its enforcement program in the most effective and efficient manner while still fully meeting the Exchange's remedial objectives in addressing violative conduct. Specifically, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations relating to the Anti-Money Laundering Compliance Program (Rule 10070), Lead Market Maker Continuous Quoting (Rule 8055), Exercise Limits (Rule 3140), and Maintenance, Retention and Furnishing of Books, Records and Other Information (Rule 10000) where a more formal disciplinary action may not be warranted or appropriate.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended to address competitive issues but rather is concerned solely with updating its MRVP in connection with rules eligible for a minor rule fine disposition. The Exchange believes the proposed rule changes, overall,

will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. The Exchange notes that the proposed additional violations are similar to minor rule violations designated in the MRVPs on other options exchanges.⁵⁵

The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. Further, the proposal relates to the Exchange's role and responsibilities as a self-regulatory organization and the manner in which it disciplines its Participants and associated persons for violations of its rules. As such, 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.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

⁵⁵ Cboe Options, NYSE American, and NYSE Arca have rule provisions in their minor rule violation plans that address exercise limits and market maker continuous quoting obligations. NYSE Arca and Cboe Options have rule provisions in their MRVPs that address failures related to AML Program Implementation. Additionally, NYSE Arca has rule provisions in its MRVP that address various recordkeeping violations. See Cboe Options Rule 13.15(g). See also NYSE American Rule 9217. See also NYSE Arca Rule 10.12.

(A) by order approve or disapprove the proposed rule change, or
(B) institute proceedings to determine whether the proposed rule change should be 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-2022-08 on the subject line.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2022-08. 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 Web site (<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

Web site viewing and printing in the Commission's Public Reference Room, on business days between the hours of 10 a.m. and 3 p.m., located at 100 F Street, NE, Washington, DC 20549. 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-2022-08 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁶

Kevin M. O'Neill
Deputy Secretary

⁵⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 4

The text of the proposed rule change is marked below to show changes from the text of the Original Filing, as amended by Amendment 1. Double-underlined text is new and stricken text is being removed.

BOX Exchange LLC

* * * * *

12140 Imposition of Fines for Minor Rule Violations

(a) – (c) No change

(d) *Violations Subject to Fines.* The following is a list of the rule violations subject to, and the applicable sanctions that may be imposed by the Exchange pursuant to, this Rule:

(1) Position Limits and Exercise Limits (Rule 3120 and Rule 3140). Violations of Rule 3120 and Rule 3140 shall be subject to fines as follows:

Number of Cumulative Offenses Violations* Within Any Rolling 24-Month Period	Sanction
First Offense	\$500
Second Offense	\$1,000
Third Offense	\$2,500
Fourth and Each Subsequent Offense	\$5,000

*A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(2) No Change

(3) Requests for Trade Data (Rule 10040). Any Options Participant who fails to respond within ten (10) business days to a request by the Exchange for submission of trade data shall be subject to the following fines:

Business Days Late	Sanction
1 to 9	\$200
10 to 15	\$500
16 to 30	\$1,000

Over 30	Formal Disciplinary Action
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Any Options Participant who violates this Rule more than one (1) time in any calendar year shall be subject to the following fines, which fines shall be imposed in addition to any sanction imposed pursuant to the schedule above:

Number of Violations Within One Calendar Year	Sanction
2nd [Offense] <u>Violation</u>	\$500
3rd [Offense] <u>Violation</u>	\$1,000
4th [Offense] <u>Violation</u>	\$2,500
Subsequent [Offenses] <u>Violations</u>	Formal Disciplinary Action

- (4) No Change
- (5) Quotation Parameters (Rule 8040(a)(7)). Violations of Rule 8040(a)(7) regarding spread parameters for market maker quotations shall be subject to the fines listed below. For purposes of this Rule, the spread parameters in Rule 8040(a)(7) will not be violated upon a change in a bid (offer) if a market maker takes immediate action to adjust its offer (bid) to comply with the maximum allowable spread. Except in unusual market conditions, immediate shall mean within ten (10) seconds of a change in the market maker's bid or offer.

The Exchange may aggregate individual violations and treat such violations as a single [occurrence]offense.

Fine Schedule (Implemented on a one-year <u>rolling</u> [running] basis)	Sanction
1 st [Occurrence] <u>Offense</u>	[Letter of Caution] <u>\$1,000</u>
2 nd [Occurrence] <u>Offense</u>	[Letter of Caution] <u>\$2,500</u>
3 rd [Occurrence] <u>Offense</u>	[Letter of Caution] <u>\$3,500</u>
4 th [Occurrence] <u>Offense and Thereafter</u>	[\$250.00] <u>Formal Disciplinary Action</u>
[5 th Occurrence	\$500.00
6 th Occurrence	\$1,000.00
7 th Occurrence and Thereafter	Sanction is discretionary with the Hearing Committee]

- (6) Continuous Quotes (Rule 8050(e) and Rule 8055(c)(1)). Violations of Rule 8050(e) or Rule 8055(c)(1) regarding Market Maker or Lead Market Maker continuous quotes shall be subject to the fines listed below. ~~Violations of Rule 8050(e) or Rule~~

~~8055(e)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days.~~ In calculating fine thresholds for each Market Maker or Lead Market Maker, all violations occurring within the Surveillance Review Period as defined within the Exchange Surveillance Procedures in any of that Market Maker or Lead Market Maker's appointed classes are to be added together.

Violations Within One Calendar Year	Sanction
<u>1st Violation</u>	Letter of Caution
<u>2nd Violation</u> [2 or more]	\$1,500 [300 per day]
<u>3rd Violation</u>	<u>\$3,000</u>
<u>Subsequent Violations</u>	<u>Formal Disciplinary Action</u>

(7) Mandatory Systems Testing (Rule 3180). Failure to conduct or participate in the testing of computer systems, or failure to provide required reports or maintain required documentation, shall be subject to the fines listed below.

Violations Within One Calendar Year	Sanction
First Violation	\$250
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2000
Fifth Violation [or more] <u>and Thereafter</u>	Formal Disciplinary Action

(8) No Change

(9) No Change

(10) Maintenance, Retention and Furnishing of Books, Records and Other Information (Rule 10000). Violations of Rule 10000 regarding the failure to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange, are subject to the fines listed below.

<u>Number of Violations</u> <u>Within Any Twenty-Four Month Rolling</u> <u>Period</u>	<u>Sanction</u>
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<u>Initial Violation</u>	<u>\$500</u>
<u>Second Violation</u>	<u>\$1,000</u>
<u>Third Violation</u>	<u>\$2,500</u>
<u>Fourth Violation and Thereafter</u>	<u>\$5,000 or Formal Disciplinary Action</u>

(11) Anti-Money Laundering Compliance Program (Rule 10070). Violations of Rule 10070 regarding the failure to satisfy the anti-money laundering compliance program requirements, are subject to the fines listed below.

<u>Number of Violations Within Any Twenty-Four Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	<u>\$1,000</u>
<u>Subsequent Violations</u>	<u>\$2,500</u>

(12) [(10)] Locked and Crossed Market Violations (Rule 15020). Violations of Rule 15020, regarding procedures to be followed in the instance of a Locked Market or a Crossed Market, are subject to the fines listed below.

<u>Number of Violations Within Any Twelve-Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	[Letter of Caution] <u>\$500</u>
<u>Second Violation</u>	[\$250] <u>\$2,500</u>
[Third Violation] <u>Subsequent Violations</u>	[\$500] <u>\$5,000 or Formal Disciplinary Action</u>
[Fourth Violation or More]	[Formal Disciplinary Action]

(13) [(11)] Market Maker Assigned Activity Violations (Rule 8030(e)). Violations of Rule 8030(e), requiring Market Makers to limit their execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, are subject to the fines listed below.

<u>Number of Violations Within Any Twelve-Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	Letter of Caution
<u>Second Violation</u>	\$500

Third Violation	\$1000
Fourth Violation	\$2500
Fifth Violation [or More]and Thereafter	Formal Disciplinary Action

(14) [(12)] Request for Quote Violations (Rule 8050(c)(2) – (c)(4)). Violations of Rule 8050(c)(2) - (c)(4) in which a Market Maker must respond to a Request for Quote ("RFQ") on BOX, are subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation [or More]and Thereafter	Formal Disciplinary Action

(15) [(13)] Trade-Through Violations (Rule 15010(a)). Violations of Rule 15010(a) regarding trade-throughs are subject to the sanctions listed below. For purposes of calculating the number of Violations during a period subject to the sanctions below, a Violation shall occur when an Options Participant engages in a pattern or practice of trading through better prices available on other exchanges.

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth Violation [or More]and Thereafter	\$5,000 or Formal Disciplinary Action

(16) [(14)] For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of the Rule 16000 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought.

(e) *Trading Floor Violations Subject to Fines.* The following is a list of violations subject to, and the applicable sanctions that may be imposed by the Exchange pursuant to, this Rule for activities related to Trading Floor.

(1) General Responsibilities of Floor Brokers (Rule 7570). A Floor Broker who, when handling an order, fails to use due diligence to cause the order to be executed at the best

price or prices available to him in accordance with the Rules of the Exchange shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$500]1,000
Second [<u>Occurrence</u>]Violation	[\$1,000]2,500
Third [<u>Occurrence</u>]Violation	[\$2,000]5,000
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(2) Failure to Properly Record Orders (7580(e)). Any Floor Participant who fails to comply with the order format and system entry requirements on the Trading Floor shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	\$500
Second [<u>Occurrence</u>]Violation	\$1,000
Third [<u>Occurrence</u>]Violation	[\$2,000]2,500
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(3) Failure to Properly Execute a QOO Order (Rule 7600). Any Floor Participant who fails to properly execute a QOO Order shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	\$500
Second [<u>Occurrence</u>]Violation	\$1,000
Third [<u>Occurrence</u>]Violation	\$2,000
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(4) Trading Conduct and Order & Decorum on the Trading Floor (Rule 2120(b)-(d)). Violations of Rule 2120 related to Trading Floor Conduct and decorum shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$250]1,000

Second [Occurrence] <u>Violation</u>	\$ [500] <u>2,000</u>
Third [Occurrence] <u>Violation</u>	\$ [1,000] <u>3,500</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(5) Discretionary Transactions (Rule 7590). Violations of Rule 7590 regarding Discretionary Transactions shall be subject to the following fine:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$250
Second [Occurrence] <u>Violation</u>	\$500
Third [Occurrence] <u>Violation</u>	\$1,000
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(6) Floor Participant Not Available to Reconcile an Uncompared Trade (Rule 8530). Violations of Rule 8530 regarding the resolution of uncompared trades shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$500
Second [Occurrence] <u>Violation</u>	\$1,000
Third [Occurrence] <u>Violation</u>	\$ [2,000] <u>2,500</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(7) Floor Participant Communications and Equipment (Rule 7660). Violations of Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$ [250] <u>1,000</u>
Second [Occurrence] <u>Violation</u>	\$ [500] <u>2,500</u>
Third [Occurrence] <u>Violation</u>	\$ [1,000] <u>3,500</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(8) Improper Vocalization of a Trade (Rule 100(b)(5)). Violations of Rule 100(b)(5) regarding the requirements for public outcry shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$250] <u>1,000</u>
Second [<u>Occurrence</u>]Violation	[\$500] <u>2,500</u>
Third [<u>Occurrence</u>]Violation	[\$1,000] <u>3,500</u>
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(9) Floor Market Maker Failure to Comply with Quotation Requirements (Rule 8510(c)(2)). Violations of Rule 8510(c)(2) regarding a Floor Market Maker's Obligation of Continuous Open Outcry Quoting shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$250] <u>1,000</u>
Second [<u>Occurrence</u>]Violation	[\$500] <u>2,500</u>
Third [<u>Occurrence</u>]Violation	[\$1,000] <u>3,500</u>
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(10) Floor Market Maker Quote Spread Parameters (Rule 8510(d)(1)). Violations of Rule 8510(d)(1) regarding legal bid/ask differential requirements shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[Letter of Caution] <u>\$1,000</u>
Second [<u>Occurrence</u>]Violation	[\$250] <u>2,500</u>
Third [<u>Occurrence</u>]Violation	[\$500] <u>3,500</u>
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(11) Floor Broker Failure to Honor the Priority of Bids and Offers (Rule 7610(d)). Violations of Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
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First [<u>Occurrence</u>]Violation	[\$500]1,000
Second [<u>Occurrence</u>]Violation	[\$1,000]2,500
Third [<u>Occurrence</u>]Violation	[\$2,000]5,000
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(12) Floor Broker Failure to Identify a Broker Dealer Order (IM-7580-2). Violations of IM-7580-2 regarding a Floor Broker’s responsibility to identify its orders shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$250]500
Second [<u>Occurrence</u>]Violation	[\$500]1,500
Third [<u>Occurrence</u>]Violation	[\$1,000]3,000
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(f) No change

* * * * *

EXHIBIT 5

New language
 [deleted language]

BOX Exchange LLC

* * * * *

12140 Imposition of Fines for Minor Rule Violations

(a) – (c) No change

(d) *Violations Subject to Fines.* The following is a list of the rule violations subject to, and the applicable sanctions that may be imposed by the Exchange pursuant to, this Rule:

(1) Position Limits and Exercise Limits (Rule 3120 and Rule 3140). Violations of Rule 3120 and Rule 3140 shall be subject to fines as follows:

Number of Cumulative <u>Offenses</u> [Violations]* Within Any Rolling 24-Month Period	Sanction
First Offense	\$500
Second Offense	\$1,000
Third Offense	\$2,500
Fourth and Each Subsequent Offense	\$5,000

*A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(2) No Change

(3) Requests for Trade Data (Rule 10040). Any Options Participant who fails to respond within ten (10) business days to a request by the Exchange for submission of trade data shall be subject to the following fines:

Business Days Late	Sanction
1 to 9	\$200
10 to 15	\$500
16 to 30	\$1,000
Over 30	Formal Disciplinary Action

Any Options Participant who violates this Rule more than one (1) time in any calendar year shall be subject to the following fines, which fines shall be imposed in addition to any sanction imposed pursuant to the schedule above:

Number of Violations Within One Calendar Year	Sanction
2nd [Offense] <u>Violation</u>	\$500
3rd [Offense] <u>Violation</u>	\$1,000
4th [Offense] <u>Violation</u>	\$2,500
Subsequent [Offenses] <u>Violations</u>	Formal Disciplinary Action

- (4) No Change
- (5) Quotation Parameters (Rule 8040(a)(7)). Violations of Rule 8040(a)(7) regarding spread parameters for market maker quotations shall be subject to the fines listed below. For purposes of this Rule, the spread parameters in Rule 8040(a)(7) will not be violated upon a change in a bid (offer) if a market maker takes immediate action to adjust its offer (bid) to comply with the maximum allowable spread. Except in unusual market conditions, immediate shall mean within ten (10) seconds of a change in the market maker's bid or offer.

The Exchange may aggregate individual violations and treat such violations as a single [occurrence]offense.

Fine Schedule (Implemented on a one-year rolling [running] basis)	Sanction
1 st [Occurrence] <u>Offense</u>	[Letter of Caution] <u>\$1,000</u>
2 nd [Occurrence] <u>Offense</u>	[Letter of Caution] <u>\$2,500</u>
3 rd [Occurrence] <u>Offense</u>	[Letter of Caution] <u>\$3,500</u>
4 th [Occurrence] <u>Offense and Thereafter</u>	[\$250.00] <u>Formal Disciplinary Action</u>
[5 th Occurrence	\$500.00
6 th Occurrence	\$1,000.00
7 th Occurrence and Thereafter	Sanction is discretionary with the Hearing Committee]

- (6) Continuous Quotes (Rule 8050(e) and Rule 8055(c)(1)). Violations of Rule 8050(e) or Rule 8055(c)(1) regarding Market Maker or Lead Market Maker continuous quotes shall be subject to the fines listed below. [Violations of Rule 8050(e) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs

and is continuing up to a limit of fifteen consecutive trading days.] In calculating fine thresholds for each Market Maker or Lead Market Maker, all violations occurring within the Surveillance Review Period as defined within the Exchange Surveillance Procedures in any of that Market Maker or Lead Market Maker's appointed classes are to be added together.

Violations Within One Calendar Year	Sanction
<u>1st Violation</u>	Letter of Caution
<u>2nd Violation</u> [2 or more]	<u>\$1,500</u> [300 per day]
<u>3rd Violation</u>	<u>\$3,000</u>
<u>Subsequent Violations</u>	<u>Formal Disciplinary Action</u>

(7) Mandatory Systems Testing (Rule 3180). Failure to conduct or participate in the testing of computer systems, or failure to provide required reports or maintain required documentation, shall be subject to the fines listed below.

Violations Within One Calendar Year	Sanction
First Violation	\$250
Second Violation	\$500
Third Violation	\$1000
Fourth Violation	\$2000
Fifth Violation [or more] <u>and Thereafter</u>	Formal Disciplinary Action

(8) No Change

(9) No Change

(10) Maintenance, Retention and Furnishing of Books, Records and Other Information (Rule 10000). Violations of Rule 10000 regarding the failure to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange, are subject to the fines listed below.

<u>Number of Violations Within Any Twenty-Four Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	<u>\$500</u>

<u>Second Violation</u>	<u>\$1,000</u>
<u>Third Violation</u>	<u>\$2,500</u>
<u>Fourth Violation and Thereafter</u>	<u>\$5,000 or Formal Disciplinary Action</u>

(11) Anti-Money Laundering Compliance Program (Rule 10070). Violations of Rule 10070 regarding the failure to satisfy the anti-money laundering compliance program requirements, are subject to the fines listed below.

<u>Number of Violations Within Any Twenty-Four Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	<u>\$1,000</u>
<u>Subsequent Violations</u>	<u>\$2,500</u>

(12) [(10)] Locked and Crossed Market Violations (Rule 15020). Violations of Rule 15020, regarding procedures to be followed in the instance of a Locked Market or a Crossed Market, are subject to the fines listed below.

<u>Number of Violations Within Any Twelve-Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	[Letter of Caution] <u>\$500</u>
<u>Second Violation</u>	[\$250] <u>\$2,500</u>
[Third Violation] <u>Subsequent Violations</u>	[\$500] <u>\$5,000 or Formal Disciplinary Action</u>
[Fourth Violation or More]	[Formal Disciplinary Action]

(13) [(11)] Market Maker Assigned Activity Violations (Rule 8030(e)). Violations of Rule 8030(e), requiring Market Makers to limit their execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, are subject to the fines listed below.

<u>Number of Violations Within Any Twelve-Month Rolling Period</u>	<u>Sanction</u>
<u>Initial Violation</u>	Letter of Caution
<u>Second Violation</u>	\$500
<u>Third Violation</u>	\$1000

Fourth Violation	\$2500
Fifth Violation [or More]and Thereafter	Formal Disciplinary Action

(14) [(12)] Request for Quote Violations (Rule 8050(c)(2) – (c)(4)). Violations of Rule 8050(c)(2) - (c)(4) in which a Market Maker must respond to a Request for Quote ("RFQ") on BOX, are subject to the fines listed below.

Number of Violations Within Any Twelve-Month Rolling Period	Sanction
Initial Violation	Letter of Caution
Second Violation	\$250
Third Violation	\$500
Fourth Violation [or More]and Thereafter	Formal Disciplinary Action

(15) [(13)] Trade-Through Violations (Rule 15010(a)). Violations of Rule 15010(a) regarding trade-throughs are subject to the sanctions listed below. For purposes of calculating the number of Violations during a period subject to the sanctions below, a Violation shall occur when an Options Participant engages in a pattern or practice of trading through better prices available on other exchanges.

Number of Violations Within Any Twenty-Four Month Rolling Period	Sanction
Initial Violation	\$500
Second Violation	\$1,000
Third Violation	\$2,500
Fourth Violation [or More]and Thereafter	\$5,000 or Formal Disciplinary Action

(16) [(14)] For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of the Rule 16000 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought.

(e) *Trading Floor Violations Subject to Fines.* The following is a list of violations subject to, and the applicable sanctions that may be imposed by the Exchange pursuant to, this Rule for activities related to Trading Floor.

(1) General Responsibilities of Floor Brokers (Rule 7570). A Floor Broker who, when handling an order, fails to use due diligence to cause the order to be executed at the best

price or prices available to him in accordance with the Rules of the Exchange shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$ [500] <u>1,000</u>
Second [Occurrence] <u>Violation</u>	\$ [1,000] <u>2,500</u>
Third [Occurrence] <u>Violation</u>	\$ [2,000] <u>5,000</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(2) Failure to Properly Record Orders (7580(e)). Any Floor Participant who fails to comply with the order format and system entry requirements on the Trading Floor shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$500
Second [Occurrence] <u>Violation</u>	\$1,000
Third [Occurrence] <u>Violation</u>	\$ [2,000] <u>2,500</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(3) Failure to Properly Execute a QOO Order (Rule 7600). Any Floor Participant who fails to properly execute a QOO Order shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$500
Second [Occurrence] <u>Violation</u>	\$1,000
Third [Occurrence] <u>Violation</u>	\$2,000
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(4) Trading Conduct and Order & Decorum on the Trading Floor (Rule 2120(b)-(d)). Violations of Rule 2120 related to Trading Floor Conduct and decorum shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$ [250] <u>1,000</u>

Second [<u>Occurrence</u>]Violation	\$[500]2,000
Third [<u>Occurrence</u>]Violation	\$[1,000]3,500
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(5) Discretionary Transactions (Rule 7590). Violations of Rule 7590 regarding Discretionary Transactions shall be subject to the following fine:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	\$250
Second [<u>Occurrence</u>]Violation	\$500
Third [<u>Occurrence</u>]Violation	\$1,000
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(6) Floor Participant Not Available to Reconcile an Uncompared Trade (Rule 8530). Violations of Rule 8530 regarding the resolution of uncompared trades shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	\$500
Second [<u>Occurrence</u>]Violation	\$1,000
Third [<u>Occurrence</u>]Violation	\$[2,000]2,500
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(7) Floor Participant Communications and Equipment (Rule 7660). Violations of Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	\$[250]1,000
Second [<u>Occurrence</u>]Violation	\$[500]2,500
Third [<u>Occurrence</u>]Violation	\$[1,000]3,500
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(8) Improper Vocalization of a Trade (Rule 100(b)(5)). Violations of Rule 100(b)(5) regarding the requirements for public outcry shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$250] <u>1,000</u>
Second [<u>Occurrence</u>]Violation	[\$500] <u>2,500</u>
Third [<u>Occurrence</u>]Violation	[\$1,000] <u>3,500</u>
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(9) Floor Market Maker Failure to Comply with Quotation Requirements (Rule 8510(c)(2)). Violations of Rule 8510(c)(2) regarding a Floor Market Maker's Obligation of Continuous Open Outcry Quoting shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[\$250] <u>1,000</u>
Second [<u>Occurrence</u>]Violation	[\$500] <u>2,500</u>
Third [<u>Occurrence</u>]Violation	[\$1,000] <u>3,500</u>
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(10) Floor Market Maker Quote Spread Parameters (Rule 8510(d)(1)). Violations of Rule 8510(d)(1) regarding legal bid/ask differential requirements shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [<u>Occurrence</u>]Violation	[Letter of Caution] <u>\$1,000</u>
Second [<u>Occurrence</u>]Violation	[\$250] <u>2,500</u>
Third [<u>Occurrence</u>]Violation	[\$500] <u>3,500</u>
Subsequent [<u>Occurrences</u>]Violations	Formal Disciplinary Action

(11) Floor Broker Failure to Honor the Priority of Bids and Offers (Rule 7610(d)). Violations of Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
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First [Occurrence] <u>Violation</u>	\$ 500 <u>1,000</u>
Second [Occurrence] <u>Violation</u>	\$ 1,000 <u>2,500</u>
Third [Occurrence] <u>Violation</u>	\$ 2,000 <u>5,000</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(12) Floor Broker Failure to Identify a Broker Dealer Order (IM-7580-2). Violations of IM-7580-2 regarding a Floor Broker’s responsibility to identify its orders shall be subject to the following fines:

Number of Violations Within Any Rolling 24-Month Period	Sanction
First [Occurrence] <u>Violation</u>	\$ 250 <u>500</u>
Second [Occurrence] <u>Violation</u>	\$ 500 <u>1,500</u>
Third [Occurrence] <u>Violation</u>	\$ 1,000 <u>3,000</u>
Subsequent [Occurrences] <u>Violations</u>	Formal Disciplinary Action

(f) No change

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