

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70427; File No. SR-BOX-2013-43)

September 17, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change to Permit Complex Orders to Participate in Price Improvement Periods

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 5, 2013, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (the “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 change from interested persons.

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

The Exchange proposes to add a new Rule 7245 to permit Complex Orders to participate in Price Improvement Periods (the “COPIP”) and by making certain other conforming and clarifying changes to accommodate the new COPIP Rule. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxexchange.com>.

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

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its rules related to trading of Complex Orders<sup>3</sup> on BOX Market LLC ("BOX"), the options trading facility of the Exchange, to permit Complex Orders to be submitted to a price improvement period auction mechanism similar to the existing PIP mechanism for single option series on BOX.<sup>4</sup> The Exchange believes this proposed Complex Order Price Improvement Period ("COPIP")<sup>5</sup> mechanism will result in more efficient transactions, reduced execution risk to BOX Options Participants, and greater opportunities for price improvement through the COPIP. The Exchange believes adoption of the proposal will result in tighter markets, and ensure that each order receives the best possible price.

The Exchange believes the proposed COPIP is an improvement over its current rules regarding Complex Order exposure and execution, and will benefit all market participants submitting Complex Order to BOX. The proposed change will require that Complex Orders on BOX will execute first against interest on the BOX Book where possible, as under the current rule.<sup>6</sup>

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<sup>3</sup> As defined in Rule 7240(a)(5), the term "Complex Order" means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.

<sup>4</sup> See Rule 7150.

<sup>5</sup> As defined in proposed Rule 7245, the term "COPIP" means Complex Order Price Improvement Period.

<sup>6</sup> See Rule 7240(b)(3)(i) and proposed Rule 7245(f)(3)(i).

### Existing PIP

The Exchange proposes to add new BOX Rule 7245 to allow Complex Orders to be submitted to the COPIP in substantially the same manner as orders for single options series instruments currently are submitted to the PIP.

Currently, Options Participants executing agency orders for single options series instruments may designate Customer Orders for price improvement and submission to the PIP. Customer Orders designated for the PIP (“PIP Orders”) may be submitted to BOX with a matching contra order (“Primary Improvement Order”) equal to the full size of the PIP Order. The Primary Improvement Order is on the opposite side of the market from the PIP Order and at a price equal to or better than that of the National Best Bid Offer (“NBBO”) at the time of the commencement of the PIP (the “PIP Start Price”). BOX begins a PIP by broadcasting a message to market participants via the Exchange’s High Speed Vendor Feed (“HSVF”). During the PIP, order flow providers (“OFPs”) and Market Makers (other than the Initiating Participant) may submit competing orders (“Improvement Orders”) for their own account and OFPs may also provide access to the PIP for the account of a Public Customer or for any account except Market Maker. Options Participants may continually submit competing Improvement Orders during the PIP and Improvement Orders are disseminated to market participants.

At the conclusion of a PIP, the PIP Order is matched against the best prevailing quote(s) or order(s) on BOX (except any pre-PIP Broadcast proprietary quote or order from the Initiating Participant), in accordance with price/time priority as set forth in Rule 7130, whether Improvement Order(s) or Unrelated Order(s) received by BOX, or Legging Orders generated, during the PIP (excluding Unrelated Orders that were immediately executed during the interval of the PIP). Such orders may include agency orders on behalf of Public Customers, market

makers at away exchanges and non-BOX Options Participant broker-dealers, as well as non-PIP proprietary orders submitted by Options Participants.

Unrelated Orders<sup>7</sup> and Legging Orders<sup>8</sup> on the same side as the PIP Order received during the PIP may cause the PIP to terminate early under certain circumstances.<sup>9</sup> During a PIP, when an Unrelated Order is submitted to BOX or a Legging Order is generated on the same side as the PIP Order that would cause an execution to occur prior to the end of the PIP, the PIP ends early and the PIP Order is matched as if the PIP terminated on its regular schedule. Following the execution of the PIP Order, any remaining Improvement Orders are cancelled and the Unrelated Order or Legging Order is filtered normally.<sup>10</sup>

Unrelated Orders and Legging Orders on the opposite side of the PIP Order received during the PIP may be immediately executed under certain circumstances.<sup>11</sup> During a PIP, when such an Unrelated Order is submitted to BOX or a Legging Order is generated on the opposite side of the PIP Order such that it would cause an execution to occur prior to the end of the PIP, the Unrelated Order or Legging Order is immediately executed against the PIP Order. Any remaining portion of the Unrelated Order or Legging Order is filtered normally.<sup>12</sup> Any

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<sup>7</sup> As defined in Rule 7150(a), the term “Unrelated Order” with respect to a PIP means a non-Improvement Order entered into the BOX market during a PIP.

<sup>8</sup> As defined in Rule 7240(c)(1), the term “Legging Order” means a Limit Order on the BOX Book that represents one side of a Complex Order that is to buy or sell an equal quantity of two options series resting on the Complex Order Book.

<sup>9</sup> See Rule 7150(i).

<sup>10</sup> See Rule 7130(b).

<sup>11</sup> See Rule 7150(j).

<sup>12</sup> See Rule 7130(b).

remaining portion of the PIP Order is executed at the conclusion of the PIP normally.<sup>13</sup>

Following the execution of the PIP Order, any remaining Improvement Orders are cancelled.

#### Proposed COPIP on Complex Orders

The Exchange proposes new Rule 7245 that would allow the submission of Complex Orders to a COPIP mechanism that is substantially similar to the PIP except as necessary to account for distinctions between regular orders on the BOX Book and Complex Orders or as otherwise noted below.<sup>14</sup> References to Legging Orders do not appear in the proposed COPIP rules because Legging Orders interact only with the PIP. However, the proposed COPIP rules do include other provisions for interacting with interest on the BOX Book. The manner in which interest on the BOX Book interacts with the COPIP is explained in more detail below.

The Exchange believes this proposal to permit price improvement auctions for Complex Orders will increase opportunities for execution of Complex Orders and interest on the BOX Book. The Exchange believes the proposed COPIP will provide greater flexibility to Participants trading Complex Orders on BOX Market LLC, the Exchange's trading facility ("BOX"). The Exchange further believes the proposed COPIP will provide additional opportunities for Participants to achieve better handling of Complex Orders and result in increased opportunities for execution and better pricing.

#### General COPIP Provisions

For purposes of the COPIP, the term "Improvement Order" is defined as a competing Complex Order submitted to BOX by an OFP or Market Maker during a COPIP; the term "Unrelated Order" is defined as a non-Improvement Order entered on BOX during a COPIP or

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<sup>13</sup> See Rule 7150(f)(3).

<sup>14</sup> The Exchange notes that the provisions in proposed Rule 7245 are substantially similar to those in Rule 7150, amended to reflect their applicability to a COPIP on a Complex Order Strategy as compared to a PIP on orders for single options series instruments.

BOX Book Interest during a COPIP; and the term “BOX Book Interest” is defined as bids and offers on the BOX Book for the individual legs of a Strategy.<sup>15</sup> These definitions are similar to those used in the PIP rule but, for the COPIP, Unrelated Orders are proposed to include BOX Book Interest capable of executing against COPIP Orders to permit COPIPs to interact with the BOX Book. BOX Book Interests are treated as Unrelated Orders for purposes of the COPIP except where specifically differentiated in proposed Rule 7245 and discussed below.

The Exchange proposes that Options Participants may use the COPIP to execute Complex Orders under certain circumstances subject to the procedures detailed within proposed Rule 7245. In compliance with these procedures, price improvement transactions for Customer Orders that are Complex Orders may be consummated with the Options Participant who submits the Complex Order, with other Options Participants, Improvement Orders or Unrelated Orders.<sup>16</sup>

The Exchange proposes that, when executing Customer Complex Orders by way of the COPIP, Options Participants must ensure that they comply with all the procedures set forth in these Rules for such transactions; that they act with due skill, care and diligence; and that the interests of their Customers are not prejudiced.<sup>17</sup> An OFP may not execute, as principal, an order it represents as agent unless it complies with the provisions of Rule 7140 or the OFP sends the agency order to the COPIP process pursuant to the provisions of proposed Rule 7245.<sup>18</sup> An Options Participant must not use the COPIP process to create a misleading impression of market activity (i.e., the facilities may be used only where there is a genuine intention to execute a bona

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<sup>15</sup> See proposed Rule 7245(a).

<sup>16</sup> See proposed Rule 7245(b).

<sup>17</sup> See proposed Rule 7245(c).

<sup>18</sup> See proposed Rule 7245(d).

vide transaction).<sup>19</sup> These provisions are substantially the same as the corresponding rules for the PIP.<sup>20</sup>

### COPIP Mechanism

Consistent with the PIP, the Exchange proposes that Options Participants, both OFPs and Market Makers, (“Initiating Participants”) executing agency orders may designate Complex Orders that are marketable Limit Orders, BOX-Top Orders or Market Orders for price improvement and submission to the COPIP. Complex Orders designated for the COPIP (“COPIP Orders”) will be submitted to BOX with a matching contra order (“Primary Improvement Order”) equal to the full size of the COPIP Order. The Primary Improvement Order will be on the opposite side of the market than that of the COPIP Order and represents either: (1) a single price (“Single-Priced Primary Improvement Order”) that is equal to or better than cNBBO,<sup>21</sup> cBBO<sup>22</sup> and BBO on the Complex Order Book for the Strategy at the time of the commencement of the COPIP; or (2) an auto-match submission that will automatically match both the price and size of all competing orders, including Improvement Orders and Unrelated Orders at any price level achieved during the COPIP or only up to a limit price (“Max Improvement Primary Improvement Order”). Either the Single-Priced Primary Improvement Order or the Max Improvement Primary Improvement Order will designate the COPIP auction start price (“COPIP Start Price”), which will be equal to or better than cNBBO, cBBO and BBO

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<sup>19</sup> See proposed Rule 7245(e).

<sup>20</sup> See Rule 7150(c), (d) and (e).

<sup>21</sup> As defined in Rule 7240(a)(3), the term “cNBBO” means the best net bid and offer price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy.

<sup>22</sup> As defined in Rule 7240(a)(1), the term “cBBO” means the best net bid and offer price for a Complex Order Strategy based on the BBO on the BOX Book for the individual options components of such Strategy.

on the Complex Order Book for the Strategy at the time of commencement of the COPIP. BOX will commence a COPIP by broadcasting a message via the HSVF (the “COPIP Broadcast”) that states that a Primary Improvement Order has been processed; contains information concerning Strategy identifier, size, COPIP Start Price, and side of market; and states when the COPIP will conclude.<sup>23</sup> Unlike the PIP rule, the proposed Rule 7245 does not refer to quotes because quotes do not exist on Complex Orders. All market participants are able to receive broadcast notification of COPIPs and Improvement Orders via the HSVF. As a result, no Participants will have an information advantage.

As in the PIP, the standard COPIP duration is proposed to be one hundred milliseconds,<sup>24</sup> commencing upon the dissemination of the COPIP Broadcast. At the conclusion of the COPIP, the COPIP Order will be executed as described below. During a COPIP, OFPs and Market Makers (except for the Initiating Participant) may submit Improvement Orders for their own account. OFPs may submit Improvement Orders for the account of a Public Customer under any type of instruction they wish to accept. An Improvement Order submitted to the COPIP for the account of a Public Customer must be identified as a Public Customer Order. Options Participants who submit Improvement Orders for a COPIP will be deemed “COPIP Participants” for that specific COPIP only, and may continually submit competing Improvement Orders during

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<sup>23</sup> See proposed Rule 7245(f).

<sup>24</sup> The Exchange believes that 100 milliseconds is an adequate duration for the COPIP. The COPIP duration would be the same as the current duration of the PIP and, therefore, the Exchange believes the COPIP duration would not create any additional burden for Participants participating in a COPIP. The Exchange believes customers are capable of responding within the proposed duration and has not received any complaints regarding the duration of the PIP since the timer was reduced from one second to 100 milliseconds on February 13, 2012. The Exchange has had discussions with several BOX Participants, each of which has indicated that 100 milliseconds is more than adequate to process COPIP Orders. Similarly, CBOE recently reduced certain of its response times to as little as 20 milliseconds (See, e.g., CBOE Regulatory Circular RG13-094, dated June 27, 2013 and effective August 1, 2013).



that COPIP. During the COPIP, Improvement Orders will be broadcast via the HSVF but will not be disseminated through OPRA.<sup>25</sup> The proposed COPIP rule text makes clear that the COPIP broadcast is disseminated via the HSVF. Complex Order information is not broadcast to OPRA.

Consistent with the PIP, an Initiating Participant in a COPIP is not permitted to cancel or to modify the size of its Single-Priced Primary Improvement Order or the COPIP Order at any time during a COPIP, and may modify only the price of its Single-Priced Primary Improvement Order by improving it. The subsequent price modifications to a Single-Priced Primary Improvement Order are treated as new Improvement Orders for the sake of establishing priority in the COPIP process. The Initiating Participant is not permitted to cancel or modify the Max Improvement Primary Improvement Order, including the COPIP Start Price, the designated limit price or the size. Just as in a PIP, Options Participants that submit Improvement Orders in a COPIP may: (i) submit competing Improvement Order(s) for any size up to the size of the COPIP Order; (ii) submit competing Improvement Order(s) for any price equal to or better than the COPIP Start Price; (iii) improve the price of their Improvement Order(s) at any point during the COPIP; and (iv) decrease the size of their Improvement Order(s) only by improving the price of that Complex Order. Improvement Orders may be submitted in one-cent increments.<sup>26</sup>

At the conclusion of a COPIP, just as with a PIP,<sup>27</sup> the COPIP Order is proposed to execute against the best prevailing order(s) on BOX (except any pre-COPIP Broadcast proprietary order from the Initiating Participant), in accordance with price/time priority, whether Improvement Order(s) or Unrelated Order(s) received by BOX during the COPIP (excluding all

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<sup>25</sup> See proposed Rule 7245(f)(1).

<sup>26</sup> See proposed Rule 7245(f)(2).

<sup>27</sup> See Rule 7150(f)(3).

Unrelated Orders that were immediately executed during the interval of the COPIP). Such Unrelated Orders may include agency orders on behalf of Public Customers, market makers at away exchanges and non-BOX Options Participant broker-dealers, as well as non-COPIP proprietary orders submitted by Options Participants. Any portion of an Improvement Order left unfilled will be cancelled.<sup>28</sup>

Notwithstanding the foregoing execution rules for a COPIP, BOX Book Interest is proposed to execute in priority over Complex Orders at the same price<sup>29</sup> so as to preserve the already established execution priority of interest on the BOX Book over Complex Orders.<sup>30</sup>

**Example 1: Execution of COPIP Order With BOX Book Interest Priority**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 30 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order to buy 30 at \$2.01. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.01	COPIP Order to sell 30
BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10

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<sup>28</sup> See proposed Rule 7245(f)(3).

<sup>29</sup> See proposed Rule 7245(f)(3)(i).

<sup>30</sup> The execution priority of interest on the BOX Book over Complex Orders is consistent with existing Rules 7240(b)(3)(i).

Complex Order to buy 20 at \$2.00

Subsequently, the BOX Book for each of A and B changes to generate BOX Book Interest to buy 20 A+B at \$2.01. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.01                      COPIP Order to sell 30

BOX Book Interest to buy 20 at \$2.01

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

BOX Book Interest to buy 20 at \$2.01

Primary Improvement Order to buy 10 at \$2.01

Note: The BOX Book Interest to buy 20 A+B at \$2.01 is fully executed in first priority. The Primary Improvement Order is allocated the remaining 10 Strategies.

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Further, no Complex Order for a non-market maker broker-dealer account of an Options Participant will be executed before all Public Customer Complex Order(s), whether Improvement Order(s) or non-Improvement Order(s), and all non-BOX Options Participant broker-dealer Complex Order(s) at the same price have been filled; provided however, that all Complex Orders on the Complex Order Book prior to the COPIP Broadcast, excluding any proprietary order(s) from the Initiating Participant, will be filled in time priority before any other Complex Order at the same price.<sup>31</sup> These proposed rule features adapt the existing PIP

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<sup>31</sup>     See proposed Rule 7245(f)(3)(ii).

mechanism for COPIP auctions while preserving the established execution priority rules for Complex Orders.

COPIP Trade Allocation Priority

Subject to the execution priority of BOX Book Interests described above, the Initiating Participant is proposed to retain certain priority and trade allocation privileges upon conclusion of a COPIP.<sup>32</sup> The priority and trade allocation privileges retained by Initiating Participants in a proposed COPIP are substantially similar to those currently afforded Initiating Participants in a PIP<sup>33</sup> except as noted below. These privileges are described in more detail below.

In instances in which a Single-Priced Primary Improvement Order, as modified (if at all), is matched by or matches any Complex Order(s) or BOX Book Interest at any price level, the Initiating Participant would retain priority for up to forty percent (40%) of the original size of the COPIP Order, notwithstanding the time priority of the Primary Improvement Order or Complex Order(s). However, if only one Complex Order or BOX Book Interest matches or is better than the Initiating Participant's Single-Priced Primary Improvement Order, then the Initiating Participant may retain priority for up to fifty percent (50%) of the original size of the COPIP Order. The Initiating Participant will receive additional allocation only after all other Complex Orders have been filled at that price level.<sup>34</sup> For purposes of calculating the Initiating Participant's priority allocation, BOX Book Interests are proposed to be included as competing orders in a COPIP.

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<sup>32</sup> See proposed Rule 7245(f)(3)(iii) and 7245(g).

<sup>33</sup> See Rule 7150(g)

<sup>34</sup> See proposed Rule 7245(g)(1).

**Example 2: Primary Improvement Order Priority****Example 2(a)**

For example, suppose the orders for Strategy A+B at the end of a COPIP are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 20 at \$2.04                      COPIP Order to sell 30

Primary Improvement Order to buy 30 at \$2.04

cNBBO is \$2.00 bid, \$2.10 offered.

In this case, there is only one competing Improvement Order and, therefore, the Primary Improvement Order receives an allocation of 50% of the original size of the COPIP Order.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

Primary Improvement Order to buy 15 at \$2.04

Improvement Order to buy 15 at \$2.04

**Example 2(b)**

Alternatively, suppose the orders for Strategy A+B at the end of a COPIP are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.04                      COPIP Order to sell 30

BOX Book Interest to buy 20 at \$2.04

cNBBO is \$2.00 bid, \$2.10 offered.

The BOX Book Interest has execution priority over Complex Orders, including the Primary Improvement Order, at the same price.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

BOX Book Interest to buy 20 at \$2.04

Primary Improvement Order to buy 10 at \$2.04

Note: The BOX Book Interest to buy 20 A+B at \$2.04 is fully executed in first priority. The Primary Improvement Order is allocated the remaining 10 Strategies.

**Example 2(c)**

Alternatively, suppose the orders for Strategy A+B at the end of a COPIP are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 20 at \$2.04

COPIP Order to sell 30

Primary Improvement Order to buy 30 at \$2.04

BOX Book Interest to buy 10 at \$2.04

cNBBO is \$2.00 bid, \$2.10 offered.

Because the BOX Book Interest is considered to be a separate order for the determination of the 40/50% Initiating Participant priority for the Primary Improvement Order, the Primary Improvement Order retains execution priority for only 40% of the COPIP Order.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

BOX Book Interest to buy 10 at \$2.04

Primary Improvement Order to buy 12 at \$2.04

Improvement Order to buy 8 at \$2.04

Note: The BOX Book Interest to buy 10 A+B at \$2.04 is fully executed in first priority. The Primary Improvement Order is allocated 12 Strategies (40% of the COPIP Order) and the remaining 8 Strategies are allocated to the Improvement Order.

**Example 2(d)**

Alternatively, suppose the orders for Strategy A+B at the end of a COPIP are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 20 at \$2.04

COPIP Order to sell 30

Primary Improvement Order to buy 30 at \$2.04

BOX Book Interest to buy 20 at \$2.04

cNBBO is \$2.00 bid, \$2.10 offered.

Because the BOX Book Interest is considered to be a separate order for the determination of the 40/50% Initiating Participant priority for the Primary Improvement Order, the Primary Improvement Order retains execution priority for only 40% of the COPIP Order.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

BOX Book Interest to buy 20 at \$2.04

Primary Improvement Order to buy 10 at \$2.04

Note: The BOX Book Interest to buy 20 A+B at \$2.04 is fully executed in first priority. The Primary Improvement Order would be entitled to be allocated 12 Strategies (40% of the

COPIP Order). However, instead, the Primary Improvement Order is allocated the remaining 10 Strategies and the Improvement Order does not receive any allocation.

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In instances in which a Max Improvement Primary Improvement Order is submitted by the Initiating Participant, the Initiating Participant would be allocated its full size at each price level, except where restricted by the designated limit price and subject to the limitations discussed in the next following paragraph below, until a price level is reached where the balance of the COPIP Order can be fully executed. Only at such price level would the Initiating Participant retain priority for up to forty percent (40%) of the remaining size of the COPIP Order. However, if only one competing Complex Order or BOX Book Interest matches the Initiating Participant at the final price level, then the Initiating Participant may retain priority for up to fifty percent (50%) of the remaining size of the COPIP Order.<sup>35</sup> As with Single-Priced Primary Improvement Orders discussed above, for purposes of calculating the Initiating Participant's priority allocation, BOX Book Interests are proposed to be included as competing orders in a COPIP.

### **Example 3: Execution of COPIP Order at Multiple Price Levels With Max Improvement**

#### **Primary Improvement Order**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

#### **Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

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<sup>35</sup> See proposed Rule 7245(g)(2).



cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 100 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order to buy 100 at \$2.01. The Participant's Max Improvement Price is 2.03. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 100 at \$2.01	COPIP Order to sell 100
BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

Subsequently, two competing Improvement Orders are received: one Improvement Order to buy 30 A+B at \$2.04 and one Improvement Order to buy 50 A+B at \$2.03. The Primary Improvement Order improves to \$2.03. Also, the BOX Book Interest changes to 40 A+B at \$2.03. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 30 at \$2.04	COPIP Order to sell 100
Primary Improvement Order to buy 100 at \$2.03	
BOX Book Interest to buy 40 at \$2.03	
Improvement Order to buy 50 at \$2.03	

The allocation of Strategies for execution with the COPIP Order to sell 100 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 100 A+B:**

Improvement Order to buy 30 at \$2.04
BOX Book Interest to buy 40 at \$2.03

Primary Improvement Order to buy 30 at \$2.03

Note: While the Primary Improvement Order had a right to buy 40 Strategies at \$2.03 (40% of original COPIP quantity of 100), the Initiating Participant is allocated only 30 Strategies because the BOX Book Interest has priority for its full amount at that price level.

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As in a PIP, the Primary Improvement Order is proposed to follow, in time priority, all Complex Orders on the Complex Order Book prior to the COPIP Broadcast that are equal to the Single Priced Primary Improvement Order price; or the execution price of a Max Improvement Primary Improvement Order that results in the balance of the COPIP Order being fully executed, except any proprietary order(s) from the Initiating Participant. Such proprietary order(s) would not be executed against the COPIP Order during or at the conclusion of the COPIP.<sup>36</sup> As mentioned above, quotes are included in the PIP rules<sup>37</sup> but are not part of the proposed COPIP rules because quotes are not provided on Complex Orders.

The Primary Improvement Order is proposed to yield priority to certain competing Complex Orders, including the priority of the Initiating Participant described above, in substantially the same circumstances as the PIP<sup>38</sup> as follows.

When a Single-Priced or Max Improvement Primary Improvement Order for the proprietary account of an OFP is matched by or matches any competing Public Customer Complex Order(s), whether Improvement Order(s), Unrelated Order(s) or any non-BOX Options Participant broker-dealer Complex Order(s) at any price level, it will yield priority to them.<sup>39</sup>

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<sup>36</sup> See proposed Rule 7245(g)(3).

<sup>37</sup> See Rule 7150(g)(3).

<sup>38</sup> See Rule 7150(g)(4).

<sup>39</sup> See proposed Rule 7245(g)(4)(i).

**Example 4: Initiating Participant Yields to Public Customer Order**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant that is a broker-dealer then initiates a COPIP Order to sell 30 A+B.

The COPIP Order is opposite the Participant broker-dealer's Primary Improvement Order, for its own account, to buy 30 at \$2.01. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.01

COPIP Order to sell 30

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

Subsequently, a competing Improvement Order on behalf of a Public Customer is received to buy 20 A+B at \$2.02. The Primary Improvement Order matches this price. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.02

COPIP Order to sell 30

Public Customer Improvement Order to buy 20 at \$2.02

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

Ordinarily, the trade allocation at the end of the COPIP (all at \$2.02) would be 15 Strategies (50%) to the Primary Improvement Order and the remaining 15 Strategies to the

Improvement Order. However, in this example, the Primary Improvement Order must yield allocation to the Improvement Order because the Primary Improvement Order is for the account of a broker-dealer and the competing Improvement Order is for the account of a Public Customer.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

Public Customer Improvement Order to buy 20 at \$2.02

Primary Improvement Order to buy 10 at \$2.02

Note: If the Public Customer Improvement Order had been for 30 Strategies, the Public Customer Improvement Order would have received the entire trade allocation.

\* \* \* \* \*

When an unmodified Single-Priced Primary Improvement Order for the account of a Market Maker is matched by any competing Public Customer Complex Order(s), whether Improvement Order(s), Unrelated Order(s) or any non-BOX Options Participant broker-dealer Complex Order(s) at the initial COPIP price level, it will yield priority to them.<sup>40</sup>

**Example 5: Initiating Market Maker Yields to Public Customer Order at Single Price**

**Level**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

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<sup>40</sup> See proposed Rule 7245(g)(4)(ii).

Complex Order to buy 20 at \$2.00

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant that is a Market Maker then initiates a COPIP Order to sell 30 A+B. The COPIP Order is opposite the Participant Market Maker's Primary Improvement Order, for its own account, to buy 30 at \$2.01. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.01	COPIP Order to sell 30
BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

Subsequently, a competing Improvement Order on behalf of a Public Customer is received to buy 20 A+B at \$2.01. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B (with buy orders displayed in time priority):**

Primary Improvement Order to buy 30 at \$2.01	COPIP Order to sell 30
Public Customer Improvement Order to buy 20 at \$2.01	
BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10

Ordinarily, the trade allocation at the end of the COPIP (all at \$2.01) would be 15 Strategies (50%) to the Primary Improvement Order and the remaining 15 Strategies to the Improvement Order. However, as the execution price of the COPIP Order is at the unmodified original COPIP start price of \$2.01, the Primary Improvement Order must yield allocation to the Improvement Order because the Primary Improvement Order was initiated by a Market Maker and the competing Improvement Order is for the account of a Public Customer.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

Public Customer Improvement Order to buy 20 at \$2.01

Primary Improvement Order to buy 10 at \$2.01

Note: If the Public Customer Improvement Order had been for 30 Strategies, the Public Customer Improvement Order would have received the entire trade allocation.

\* \* \* \* \*

When a Max Improvement or a modified Single-Priced Primary Improvement Order for the account of a Market Maker matches any competing Public Customer Complex Order(s), whether Improvement Order(s), Unrelated Order(s) or any non-BOX Options Participant broker-dealer Complex Order(s) at subsequent price levels, it will yield priority to them.<sup>41</sup>

**Example 6: Initiating Market Maker Yields to Public Customer at Any Price Level**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant that is a Market Maker then initiates a COPIP Order to sell 30 A+B. The COPIP Order is opposite the Participant Market Maker's Primary Improvement Order, for its own account, to buy 30 at \$2.01. The orders for Strategy A+B then are as follows:

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<sup>41</sup> See proposed Rule 7245(g)(4)(iii).

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.01	COPIP Order to sell 30
BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

Subsequently, a competing Improvement Order on behalf of a Public Customer is received to buy 20 A+B at \$2.02. The Primary Improvement Order matches this price. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B (with buy orders displayed in time priority):**

Public Customer Improvement Order to buy 20 at \$2.02	
Primary Improvement Order to buy 30 at \$2.02	COPIP Order to sell 30
BOX Book Interest to buy 10 at \$2.00	

Ordinarily, the trade allocation at the end of the COPIP (all at \$2.02) would be 15 Strategies (50%) to the Primary Improvement Order and the remaining 15 Strategies to the Improvement Order. However, as the Improvement Order for the account of a Public Customer has time priority over the Primary Improvement Order submitted by a Market Maker at this price, the Primary Improvement Order must yield allocation to the Improvement Order.

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

Public Customer Improvement Order to buy 20 at \$2.02
Primary Improvement Order to buy 10 at \$2.02

Note: If the Public Customer Improvement Order had been for 30 Strategies, the Public Customer Improvement Order would have received the entire trade allocation.

\* \* \* \* \*

Consistent with the PIP, when the Primary Improvement Order receives a trade allocation as discussed above, it is proposed to be entitled to a trade allocation of at least one (1) Strategy.<sup>42</sup> This assures meaningful execution priority for Primary Improvement Orders.

At its option, the Initiating Participant may designate a lower (but not higher) minimum priority and trade allocation privilege percentage upon the conclusion of the COPIP auction than it is otherwise entitled to. When starting a COPIP, the Initiating Participant may submit to BOX the Primary Improvement Order with a designation of the total amount of the COPIP Order it is willing to “surrender” to the other COPIP Participants (“COPIP Surrender Quantity”). Under no circumstances will the Initiating Participant receive an allocation percentage preference of more than 50% with one competing order, including counting BOX Book Interest as a competing order, or 40% with multiple competing orders, including counting BOX Book Interest as a competing order.<sup>43</sup>

Upon the conclusion of the COPIP auction, when the Exchange’s Trading Host determines the priority and trade allocation amounts for the Initiating Participant as described above, the Trading Host will automatically adjust the trade allocations to the other COPIP Participants up to the COPIP Surrender Quantity. The Primary Improvement Order will be allocated the remaining size of the COPIP Order above the COPIP Surrender Quantity, if any, as described above. If the aggregate size of other COPIP Participants’ contra Complex Orders is not equal to or greater than the COPIP Surrender Quantity, then the remaining COPIP Surrender

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<sup>42</sup> See proposed Rule 7245(g)(5).

<sup>43</sup> See proposed Rule 7245(g)(6)(i).



Quantity will be left unfilled and the Primary Improvement Order will be allocated the remaining size of the COPIP Order described above.<sup>44</sup>

**Example 7: COPIP Surrender Quantity**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 30 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order. The Participant indicates a surrender quantity of 30 Strategies. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 30 at \$2.01

COPIP Order to sell 30

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

Subsequently, a competing Improvement Order is received to buy 20 A+B at \$2.04. The Primary Improvement Order matches this price. Also, the BOX Book Interest changes to 10 A+B at \$2.04. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 20 at \$2.04

COPIP Order to sell 30

Primary Improvement Order to buy 30 at \$2.04

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<sup>44</sup> See proposed Rule 7245(g)(6)(ii).

BOX Book Interest to buy 10 at \$2.04

The allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

BOX Book Interest to buy 10 at \$2.04

Improvement Order to buy 20 at \$2.04

Note: While the Primary Improvement Order had a right to 12 Strategies at \$2.04 (40% of original COPIP quantity of 30), the Initiating Participant indicated a surrender quantity of 30, which means the Initiating Participant was willing to yield the entire quantity to competing Improvement Orders. As a result, the competing Improvement Order at \$2.04 is filled in its entirety and the Primary Improvement Order receives no trade allocation.

However, if the Primary Improvement Order had indicated a surrender quantity of 22 Strategies, allocation of Strategies for execution with the COPIP Order to sell 30 A+B at the end of the COPIP would be as follows:

**Allocation for Execution of COPIP Order to Sell 30 A+B:**

BOX Book Interest to buy 10 at \$2.04

Primary Improvement Order to buy 8 at \$2.04

Improvement Order to buy 12 at \$2.04

\* \* \* \* \*

Unlike a PIP, the COPIP is not proposed to include Customer COPIP Orders (“CPOs”). In a PIP, certain orders on the BOX Book on single option series trade in minimum increments greater than one cent while a PIP Order on the same series can operate in one cent increments. A CPO allows a Public Customer to submit an order on a single option series, through an OFP,

specifying one price for entry on the BOX Book (in the applicable minimum increment for that series) and a different price for interaction with a PIP (in one cent increments).<sup>45</sup> Since all Complex Orders already trade in one cent increments, as would the COPIP, no benefit would be gained by proposing CPOs for the COPIP. Public Customers may submit Complex Orders to the Exchange and Improvement Orders to interact with a COPIP.

Immediate Execution Prior to the End of a COPIP

Executions prior to the regular ending time of a COPIP are handled substantially the same as in a PIP,<sup>46</sup> with necessary changes to account for differences between Complex Orders and orders on single series options instruments. Legging Orders do not apply in a COPIP and BOX Book Interests are included as Unrelated Orders in a COPIP.

In cases where an Unrelated Order is submitted to BOX on the same side as the COPIP Order such that it would cause an execution to occur prior to the end of the COPIP, the COPIP will be deemed concluded and the COPIP Order will be matched as described above.<sup>47</sup> BOX Book Interest will be fully executed at each price level prior to any other executions. Specifically, the submission to BOX of a BOX-Top Complex Order or Market Complex Order on the same side as a COPIP Order will prematurely terminate the COPIP when, at the time of the submission of such orders, the best Complex Order or BOX Book Interest is equal to or better than the cNBBO on the opposite side of the COPIP Order. The submission to BOX of executable BOX Book Interest or an executable Limit Complex Order on the same side as a COPIP Order will prematurely terminate the COPIP if, (i) at the time of submission of the Limit Complex Order, the Limit Complex Order price is equal to or better than cNBBO, and BBO on

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<sup>45</sup> See Rule 7150(h).

<sup>46</sup> See Rule 7150(i) and (j).

<sup>47</sup> Execution rules are set forth in proposed Rule 7245(f)(3).

the Complex Order Book or cBBO is equal to or better than the cNBBO, on the opposite side of the market or (ii) at the time of submission of the BOX Book Interest, the BOX Book Interest is executable against the Complex Order Book. Following the conclusion of the COPIP, any remaining Improvement Orders are cancelled, any remaining non-Improvement Orders are filtered pursuant to Rule 7240(b)(3)(iii) and any remaining BOX Book Interest is filtered pursuant to Rule 7130(b).<sup>48</sup>

**Example 8: Early Termination of COPIP Due to Unrelated Order on Same Side as COPIP**

**Order**

**Example 8(a)**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 100 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 100 at \$2.01

COPIP Order to sell 100

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

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<sup>48</sup> See proposed Rule 7245(h).

During the COPIP, two competing Improvement Orders are received: one Improvement Order to buy 30 A+B at \$2.05 and one Improvement Order to buy 50 A+B at \$2.03. The Primary Improvement Order has improved to \$2.03. Also, the BOX Book Interest changes to 40 A+B at \$2.03. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 30 at \$2.05	COPIP Order to sell 100
Primary Improvement Order to buy 100 at \$2.03	
BOX Book Interest to buy 40 at \$2.03	BOX Book Interest to sell 10 at \$2.10
Improvement Order to buy 50 at \$2.03	
Complex Order to buy 20 at \$2.00	

Subsequently, during the COPIP, the BOX Book Interest changes to sell 5 A+B at \$2.05. Because the BOX Book Interest could execute against the Improvement Order to buy 30 A+B at \$2.05, the COPIP instead terminates early and executes.

The allocation of Strategies for execution with the COPIP Order to sell 100 A+B upon the early termination of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 100 A+B:**

Improvement Order to buy 30 at \$2.05  
 BOX Book Interest to buy 40 at \$2.03  
 Primary Improvement Order to buy 30 at \$2.03

The BOX Book Interest to sell 5 A+B at \$2.05 caused the COPIP to terminate early<sup>49</sup> and cannot execute because it is on the same side as the COPIP Order and, after early termination

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<sup>49</sup> The Exchange proposes that an Unrelated Order on the same side as the COPIP Order would cause the COPIP auction to terminate early. Because the COPIP auction already was in progress before the Unrelated Order arrived on BOX, the Exchange proposes that

and execution of the COPIP, no executable buy-side interest at that price exists. As a result, the BOX Book Interest is entered on the Complex Order Book as an Implied Order. The Complex Order Book for Strategy A+B then is as follows:

**Complex Order Book for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00	Implied Order to sell 5 at \$2.05
Complex Order to buy 20 at \$2.00	

cNBBO is \$2.00 bid, \$2.05 offered.

**Example 8(b):**

Alternatively, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 100 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 100 at \$2.01	COPIP Order to sell 100
BOX Book Interest to buy 10 at \$2.00	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

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the COPIP order be executed first. The Exchange notes that this proposed process is the same as the process in the PIP. See Rule 7150(i).

During the COPIP, the BOX Book Interest changes to buy 20 A+B at \$2.02. The Primary Improvement Order has improved to \$2.02. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 100 at \$2.02	COPIP Order to sell 100
BOX Book Interest to buy 20 at \$2.02	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

Subsequently, during the COPIP, two competing Improvement Orders are received: one Improvement Order to buy 10 A+B at \$2.05 and one Improvement Order to buy 15 A+B at \$2.03. Also, the BOX Book Interest changes to buy 40 A+B at \$2.03. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 10 at \$2.05	COPIP Order to sell 100
Improvement Order to buy 15 at \$2.03	BOX Book Interest to sell 10 at \$2.10
BOX Book Interest to buy 40 at \$2.03	
Primary Improvement Order to buy 100 at \$2.02	
Complex Order to buy 20 at \$2.00	

Subsequently, during the COPIP, the BOX Book Interest changes to sell 5 A+B at \$2.05. Because the BOX Book Interest to sell 5 A+B at \$2.05 could execute against the Improvement Order to buy 10 A+B at \$2.05, the COPIP instead terminates early and executes.

The allocation of Strategies for execution with the COPIP Order to sell 100 A+B at the early termination of the COPIP is as follows:

**Allocation for Execution of COPIP Order to Sell 100 A+B:**

Improvement Order to buy 10 at \$2.05

BOX Book Interest to buy 40 at \$2.03

(at this point, the next best available BOX Book Interest is to buy 20 at \$2.02)

Improvement Order to buy 15 at \$2.03

BOX Book Interest to buy 20 at \$2.02

(at this point, the next best available BOX Book Interest is to buy 10 at \$2.00)

Primary Improvement Order to buy 15 at \$2.02

The BOX Book Interest to sell 5 A+B at \$2.05 caused the COPIP to terminate early<sup>50</sup> and cannot execute because it is on the same side as the COPIP Order and, after early termination and execution of the COPIP, no executable buy-side interest at that price exists. As a result, the BOX Book Interest is entered on the Complex Order Book as an Implied Order. The Complex Order Book for Strategy A+B then is as follows:

Complex Order Book for Strategy A+B:

BOX Book Interest to buy 10 at \$2.00

BOX Book Interest to sell 5 at \$2.05

Complex Order to buy 20 at \$2.00

cNBBO is \$2.00 bid, \$2.05 offered.

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In cases where an Unrelated Order that is a non-Improvement Order is submitted to BOX on the opposite side of the COPIP order, such that it would cause an execution to occur prior to the end of the COPIP, the non-Improvement Order will be immediately executed against the COPIP Order up to the lesser of the size of the COPIP Order or the size of the non-Improvement

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<sup>50</sup> The Exchange proposes that an Unrelated Order on the same side as the COPIP Order would cause the COPIP auction to terminate early. Because the COPIP auction already was in progress before the Unrelated Order arrived on BOX, the Exchange proposes that the COPIP order be executed first. The Exchange notes that this proposed process is the same as the process in the PIP. See Rule 7150(i).



Order, at a price equal to either: (i) at least one penny better than the cBBO, if the cBBO on the opposite side of the market from the non-Improvement Order is equal to or better than the cNBBO at the time of execution; or (ii) the cNBBO. Specifically, a BOX-Top Complex Order or a Market Complex Order on the opposite side of a COPIP Order will immediately execute against the COPIP Order when, at the time of the submission of such Complex Order, the best Improvement Order does not cross the cNBBO on the same side of the market as the COPIP Order. The submission to BOX of an executable Limit Complex Order on the opposite side of a COPIP Order will immediately execute against a COPIP Order when the Limit Complex Order price is equal to or crosses any of the cNBBO, cBBO or BBO on the Complex Order Book for the Strategy.<sup>51</sup> In cases where an Unrelated Order that is a BOX Book Interest exists on the opposite side of the COPIP order, such that it would cause an execution to occur prior to the end of the COPIP, the BOX Book Interest will immediately be executed against the COPIP Order up to the lesser of the size of the COPIP Order or the size of the BOX Book Interest, at a price equal to the BOX Book Interest price.<sup>52</sup> The remainder of the Unrelated Order, if any, will be filtered according to the existing Complex Order filter rules.<sup>53</sup> The remainder of the COPIP Order, if any, will be executed at the conclusion of the COPIP as described above.<sup>54</sup> Following the conclusion of the COPIP, any remaining Improvement Orders are cancelled.<sup>55</sup>

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<sup>51</sup> See proposed Rule 7245(i)(1).

<sup>52</sup> See proposed Rule 7245(i)(2).

<sup>53</sup> See Rule 7240(b)(3)(iii) for existing Complex Order filter rules.

<sup>54</sup> Execution rules are set forth in proposed Rule 7245(f)(3).

<sup>55</sup> See proposed Rule 7245(i)(3).

**Example 9: Immediate Execution of Unrelated Order Opposite COPIP Order****Example 9(a):**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00	Exposed <sup>56</sup> Complex Order to sell 10 at \$2.08
Complex Order to buy 20 at \$2.00	BOX Book Interest to sell 10 at \$2.10

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 100 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 100 at \$2.01	COPIP Order to sell 100
BOX Book Interest to buy 10 at \$2.00	Exposed Complex Order to sell 10 at \$2.08
Complex Order to buy 20 at \$2.00	BOX Book Interest to sell 10 at \$2.10

During the COPIP, two competing Improvement Orders are received: one Improvement Order to buy 30 A+B at \$2.04 and one Improvement Order to buy 50 A+B at \$2.03. The Primary Improvement Order to buy 100 A+B has improved to \$2.03. Also, the BOX Book Interest changes to buy 40 A+B at \$2.03. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 30 at \$2.04	COPIP Order to sell 100
Primary Improvement Order to buy 100 at \$2.03	

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<sup>56</sup> An "exposed" Complex Order is a Complex Order that is in the process of being exposed to Participants pursuant to Rule 7240(b)(3)(iii) prior to being entered on the Complex Order Book. Pursuant to Rule 7240(c), Legging Orders are not generated from Complex Orders during the exposure period.

BOX Book Interest to buy 40 at \$2.03

Exposed Complex Order to sell 10 at \$2.08

Improvement Order to buy 50 at \$2.03

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

Subsequently, during the COPIP, the BOX Book Interest changes to buy 8 A+B at \$2.08. Because this BOX Book Interest is executable against the exposed Complex Order to sell 10 at \$2.08, the BOX Book Interest to buy 8 A+B immediately executes against the COPIP Order to sell 10 and the COPIP continues.

The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 30 at \$2.04

COPIP Order to sell 92

Primary Improvement Order to buy 100 at \$2.03

BOX Book Interest to buy 32 at \$2.03

Exposed Complex Order to sell 10 at \$2.08

Improvement Order to buy 50 at \$2.03

BOX Book Interest to sell 10 at \$2.10

Complex Order to buy 20 at \$2.00

Note: If the BOX Book had changed to reflect BOX Book Interest to buy a quantity of 100 A+B at \$2.04, the BOX Book Interest would have immediately executed against the COPIP Order in full and the COPIP would have terminated.

**Example 9(b):**

For example, suppose the Complex Order Book for Strategy A+B is initially as follows:

**Orders for Strategy A+B:**

BOX Book Interest to buy 10 at \$2.00

Exposed Complex Order to sell 10 at \$2.08

Complex Order to buy 20 at \$2.00

BOX Book Interest to sell 10 at \$2.10

cNBBO is \$2.00 bid, \$2.10 offered.

A BOX Participant then initiates a COPIP Order to sell 100 A+B. The COPIP Order is opposite the Participant's Primary Improvement Order. The orders for Strategy A+B then are as follows:

**Orders for Strategy A+B:**

Primary Improvement Order to buy 100 at \$2.01	COPIP Order to sell 100
BOX Book Interest to buy 10 at \$2.00	Exposed Complex Order to sell 10 at \$2.08
Complex Order to buy 20 at \$2.00	BOX Book Interest to sell 10 at \$2.10

During the COPIP, two competing Improvement Orders are received: one Improvement Order to buy 30 A+B at \$2.04 and one Improvement Order to buy 50 A+B at \$2.03. The Primary Improvement Order has improved to \$2.03. Also, the BOX Book Interest changes to buy 40 A+B at \$2.03. The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 30 at \$2.04	COPIP Order to sell 100
Primary Improvement Order to buy 100 at \$2.03	
BOX Book Interest to buy 40 at \$2.03	Exposed Complex Order to sell 10 at \$2.08
Improvement Order to buy 50 at \$2.03	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

Subsequently, during the COPIP, a Complex Order to buy 8 A+B at \$2.08 is received. Because the Complex Order is executable against the exposed Complex Order to sell 10 A+B at

\$2.08, the Complex Order to buy 8 A+B at \$2.08 immediately executes against the COPIP Order at \$2.07 and the COPIP then continues.<sup>57</sup>

The orders for Strategy A+B at the end of the COPIP then are as follows:

**Orders for Strategy A+B:**

Improvement Order to buy 30 at \$2.04	COPIP Order to sell 92
Primary Improvement Order to buy 100 at \$2.03	
BOX Book Interest to buy 40 at \$2.03	Exposed Complex Order to sell 10 at \$2.08
Improvement Order to buy 50 at \$2.03	BOX Book Interest to sell 10 at \$2.10
Complex Order to buy 20 at \$2.00	

Note: If the BOX Book had changed to reflect BOX Book Interest to buy a quantity of 100 A+B at \$2.04, the BOX Book Interest would have immediately executed against the COPIP Order in full and the COPIP would have terminated.

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Improvement Orders

Improvement Orders on a COPIP are treated substantially the same as the Exchange's existing PIP<sup>58</sup> with necessary changes to account for differences between Complex Orders and orders on single series options instruments. Improvement Orders must be submitted in increments no smaller than one penny. Improvement Orders will be broadcast via the HSVF, but will not be disseminated to OPRA.<sup>59</sup>

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<sup>57</sup> This operation is consistent with the existing PIP auction mechanism (see Rule 7150(j)) and execution at \$2.07 is consistent with Rule 7240(b)(2).

<sup>58</sup> See Rule 7150(k).

<sup>59</sup> See proposed Rule 7245(j).

Generally, Improvement Orders may not be executed unless the price is equal to or better than the cNBBO at the commencement of the COPIP. An exception to this rule occurs where an Exchange Official determines that quotes from one or more particular markets in one or more classes of options are not reliable, the Exchange Official may direct the senior person in charge of the BOX MOC to exclude the unreliable quotes from the Improvement Period determination of the cNBBO for Complex Order Strategies of which such option class(es) are a component. The Exchange Official may determine quotes in one or more particular options classes in a market are not reliable only in the following circumstances: (i) Quotes Not Firm: A market's quotes in a particular options class are not firm based upon direct communication to the Exchange from the market or the dissemination through OPRA of a message indicating that disseminated quotes are not firm; (ii) Confirmed Quote Problems: A market has directly communicated to the Exchange or otherwise confirmed that the market is experiencing systems or other problems affecting the reliability of its disseminated quotes. An exception to the general rule also occurs where the away options exchange posting orders on a single option series comprising the cNBBO is conducting a trading rotation in that options class.<sup>60</sup>

As in the PIP,<sup>61</sup> the Exchange's Trading Host will not accept Improvement Orders that lock or cross the Complex Order Book on the same side of the market as the COPIP Order.<sup>62</sup>

#### COPIP Trading Conduct

As with the PIP,<sup>63</sup> the Exchange proposes to prohibit conduct inconsistent with just and equitable principles of trade related to a COPIP. It is proposed that it be considered conduct

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<sup>60</sup> See proposed Rule 7245(k).

<sup>61</sup> See IM-7150-4.

<sup>62</sup> See proposed IM-7245-4.

<sup>63</sup> See IM-7150-2.

inconsistent with just and equitable principles of trade for any Initiating Participant to engage in a pattern of conduct where the Initiating Participant submits Primary Improvement Orders into the COPIP process for two Strategies or less for the purpose of manipulating the COPIP process in order to gain a higher allocation percentage than the Initiating Participant would have otherwise received in accordance with the proposed allocation procedures. It is proposed that it be considered conduct inconsistent with just and equitable principles of trade for any Participant to submit a non-Improvement Order, or an order that results in the generation of an Unrelated Order, to BOX for the purpose of disrupting or manipulating the COPIP process.<sup>64</sup>

#### Overlapping Auctions

The Exchange proposes to prohibit multiple auctions of the same type, which is substantially the same as in its PIP rules.<sup>65</sup> A COPIP will not run simultaneously with another COPIP in the same Complex Order Strategy, nor will COPIPs interact, queue or overlap in any manner. Any request to initiate a COPIP while a COPIP is already in progress in the same Strategy will be rejected.<sup>66</sup>

Upon adoption of the proposal, the Exchange will operate price improvement auctions in both single options series and Complex Orders. The Exchange proposes that BOX will accept, however, orders designated for the PIP on a single option series where a COPIP on a Complex Order Strategy that includes such series may be in progress. BOX will also accept Complex Orders designated for the COPIP where a PIP on either of the component series may be in

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<sup>64</sup> See proposed IM-7245-2.

<sup>65</sup> See IM-7150-3.

<sup>66</sup> See proposed IM-7245-3.

progress.<sup>67</sup> Order execution at the conclusion of such PIPs will occur as described in the PIP rules<sup>68</sup> and Complex Order execution at the conclusion of such COIPs will occur as set forth in the proposed Rule 7245.<sup>69</sup>

#### COIP Pilot Program

The Exchange proposes a COIP Pilot Program during the initial period of the COIP's operation. During the COIP pilot period, the Exchange proposes to provide certain information, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size COIP orders, that there is significant price improvement for all orders executed through the COIP and that an active and liquid market is functioning on BOX outside of the COIP mechanism. Any data submitted to the Commission by the Exchange will be provided on a confidential basis.<sup>70</sup> The Pilot Period is proposed to expire on July 18, 2014 and will be substantially similar to the pilot period currently in place with respect to the existing PIP.<sup>71</sup>

To aid the Commission in its evaluation of the COIP Pilot Program, the Exchange proposes to provide the following information each month: (1) the number of orders of 50 Strategies or greater entered into the COIP; (2) the percentage of all orders of 50 Strategies or greater submitted to the Exchange that are entered into the COIP; (3) the spread, at the time a Complex Order of 50 Strategies or greater is submitted to the COIP; (4) the percentage of

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<sup>67</sup> Exchange rules governing events occurring during permitted, simultaneous auctions are clear. Processes on the BOX system are sequential, which prevents any two orders (including PIP Orders and COIP Orders) from having the same time stamp. Each order is processed in accordance with Exchange rules without race conditions.

<sup>68</sup> PIP execution rules are set forth in Rule 7150.

<sup>69</sup> See proposed IM-7245-3.

<sup>70</sup> See proposed IM-7245-1.

<sup>71</sup> See IM-7150-1.



COPIP trades executed at cNBBO, plus \$.01, plus \$.02, plus \$.03, etc.; and (5) the number of COPIP Orders submitted by OFPs when the spread was at a particular increment (e.g., \$.05, \$.10, \$.15, etc.). Also, with respect to item 5 above, for each spread increment, the Exchange proposes to provide the percentage of orders of fewer than 50 Strategies submitted to the COPIP that were traded: (a) by the OFP that submitted the order to the COPIP; (b) by a BOX Participant other than the OFP that submitted the order to the COPIP; (c) by a Public Customer; and (d) as an Unrelated Order. Additionally, for each spread increment, the Exchange proposes to provide the percentage of orders of 50 Strategies or greater submitted to the COPIP that were traded: (a) by the OFP that submitted the order to the COPIP; (b) by a BOX Participant other than the OFP that submitted the order to the COPIP; (c) by a Public Customer; and (d) as an Unrelated Order.

The Exchange further proposes to provide, for the first and third Wednesday of each month: (a) the total number of COPIP auctions on that date; (b) the number of COPIP auctions where the order submitted to the COPIP was fewer than 50 Strategies; (c) the number of COPIP auctions where the order submitted to the COPIP was 50 Strategies or greater; (d) the number of COPIP auctions where the number of Participants (excluding the Initiating Participant) was each of zero, one, two, three, four, etc.

Finally, during the COPIP pilot period, the Exchange proposes to provide information each month with respect to situations in which the COPIP is terminated prematurely or in which a Market Order, Limit Order, BOX-Top Order or BOX Book Interest immediately execute with a COPIP Order before the conclusion of the COPIP. The following information is proposed to be provided: (1) the number of times that a Market Order, Limit Order, BOX-Top Order or BOX Book Interest on the same side of the market as the COPIP Order prematurely terminated the

COPIP, and (a) the number of times such orders were entered by the same (or affiliated) firm that initiated the COPIP that was terminated, and (b) the number of times such orders were entered by a firm (or an affiliate of such firm) that participated in the execution of the COPIP Order;

(2) For the orders addressed in each of (1)(a) and (1)(b) above, the percentage of COPIP premature terminations due to the receipt, during the COPIP, of a Market Order, Limit Order, BOX-Top Order or BOX Book Interest on the same side of the market as the COPIP Order; and the average amount of price improvement provided to the COPIP Order where the COPIP is prematurely terminated; (3) the number of times that a Market Order, Limit Order, BOX-Top Order or BOX Book Interest on the opposite side of the market as the COPIP Order immediately executed against the COPIP Order, and (a) the number of times such orders were entered by the same (or affiliated) firm that initiated the COPIP, and (b) the number of times such orders were entered by a firm (or an affiliate of such firm) that participated in the execution of the COPIP Order; (4) for the orders addressed in each of (3)(a) and (3)(b) above, the percentage of COPIP early executions due to the receipt, during the COPIP, of a Market Order, Limit Order, BOX-Top Order or BOX Book Interest on the opposite side of the market as the COPIP Order; and the average amount of price improvement provided to the COPIP Order where the COPIP Order is immediately executed; and (5) the average amount of price improvement provided to the COPIP Order when the COPIP runs for one hundred milliseconds.

#### Conforming and Clarifying Changes

The Exchange proposes to make certain miscellaneous conforming and clarifying changes to its rules consistent with the adoption of the proposed COPIP rule. These conforming and clarifying changes are consistent with the Exchange's treatment of the PIP. Rules 100, 3000, 7070, 7110, 7130, 7140, 7150, and 7240 are proposed to be amended as described below.

Rule 3000(b) is proposed to be amended to include COPIPs to be treated similarly to PIPs for purposes of identifying conduct inconsistent with just and equitable principles of trade.

Rule 7070(a) is proposed to be amended to clarify that COPIP Orders, like PIP Orders, are not accepted by the BOX Trading Host during the Pre-Opening Phase. Rule 7070(a) is also corrected to reflect that Fill and Kill orders are not, and have never been, allowed to participate in the Pre-Opening Phase. Participation in the Pre-Opening Phase on BOX is entirely voluntary and the inclusion of Fill and Kill orders could be disruptive to the calculation of the Theoretical Opening Price, which is described in Rule 7070(b).

Rule 7110(e)(1)(iii)(D) is proposed to be amended to clarify that, like PIP Orders, the Session Order duration type is not available for COPIP Orders.

Rule 7130(a) is proposed to be amended to clarify that the HSVF, which is made available at no cost to all market participants, includes COPIP Order information as set forth in proposed Rule 7245.

IM-7140-1, IM-7140-2, IM-7140-3 and IM-7140-4 to Rule 7140 are proposed to be amended to clarify that COPIPs are treated like PIPs for purposes of Rule 7140 regarding the ability of Options Participants to act as contra party to their own Customer Orders.

The proposed amendments to Rule 7150(f) and (k) regarding the PIP do not change the operation of the Exchange's system but conform to the proposed COPIP rule and clarify that the PIP Broadcast, including competing Improvement Orders, are broadcast via the HSVF. Further, IM-7150-3 to Rule 7150 is proposed to be amended to conform to proposed IM-7245-3 to Rule 7245 and to clarify that a PIP on a single option series and a COPIP on a Complex Order Strategy that includes such series may be conducted simultaneously.

In order to conform to the new proposed COPIP rules, Rule 7240(b)(4)(iii) is proposed to be amended to remove the existing prohibition on Complex Orders participating in Price Improvement Periods and Rule 100(a)(19) is amended to clarify that Directed Orders are limited to contracts on single option series.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>72</sup> in general, and Section 6(b)(5) of the Act,<sup>73</sup> in particular, in that it is 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 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 proposes to add new BOX Rule 7245 to allow Complex Orders to be submitted to the COPIP in substantially the same manner as orders for single options series instruments currently are submitted to the PIP except as necessary to account for distinctions between regular orders on the BOX Book and Complex Orders.<sup>74</sup>

The Exchange believes the proposed COPIP is an improvement over its current rules regarding Complex Orders, and will benefit all market participants submitting Complex Order to BOX. The Exchange believes that this rule filing is reasonable, equitable and not unfairly discriminatory to customers and Participants because it follows the fundamental principles of the

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<sup>72</sup> 15 U.S.C. 78f(b).

<sup>73</sup> 15 U.S.C. 78f(b)(5).

<sup>74</sup> The Exchange notes that the provisions in proposed Rule 7245 are substantially similar to those in Rule 7150, amended to reflect their applicability to a COPIP on a Complex Order Strategy as compared to a PIP on orders for single options series instruments.

Exchange's existing PIP mechanism<sup>75</sup> and the Exchange's existing Complex Order priority rules,<sup>76</sup> each of which has previously been approved by the Commission. The Exchange further believes the proposal is not unfairly discriminatory because the benefits of the proposed COPIP on BOX, like the PIP, are equally available to all Participants.

The Exchange believes this proposal will increase opportunities for execution of Complex Orders and orders on the BOX Book. Further, the Exchange believes the proposed COPIP will provide greater flexibility to Participants trading Complex Orders on BOX. The Exchange also believes the proposed COPIP will provide additional opportunities for Participants to achieve better handling of Complex Orders and result in increased opportunities for execution and better pricing. These benefits have been realized for orders on single option series under its existing PIP mechanism and the same principles are expected to transfer readily to Complex Orders. As a result, adopting this proposal to allow a COPIP mechanism will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanism of a free and open market and a national market system

For purposes of the COPIP, Unrelated Orders are proposed to include BOX Book Interest resting on the BOX Book.<sup>77</sup> The concept of the COPIP interacting with BOX Book Interest does not apply to PIP and, therefore, is not directly analogous the existing PIP rules. Quotes and Legging Orders do not apply to COPIP and, therefore, are not included in the proposed COPIP rules. These proposed differences from the previously approved PIP provide clarity in the rules and promote just and equitable principles of trade.

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<sup>75</sup> See Rule 7150.

<sup>76</sup> See Rule 7240(b)(3)(i).

<sup>77</sup> See proposed Rule 7245(a).

The proposal requires that Complex Orders on BOX execute first against leg orders on the BOX Book, as under the current rules applicable to Complex Order execution. In the proposed COPIP, BOX Book Interest will execute in priority over Complex Orders at the same price<sup>78</sup> so as to preserve the already established and approved execution priority of interest on the BOX Book over Complex Orders.<sup>79</sup> These execution principles allow Complex Orders to interact with the BOX Book in a fair way and thereby promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities and remove impediments to and perfect the mechanism of a free and open market and a national market system.

The proposed COPIP rules differ from the existing PIP rules in that, for purposes of calculating the Initiating Participant's priority allocation, BOX Book Interests are proposed to be counted as competing orders in a COPIP. This treatment is consistent with the existing regular interaction of Complex Orders with interest on the BOX Book.<sup>80</sup> This again preserves the already established and approved execution priority of interest on the BOX Book over Complex Orders while also preserving the incentive function of the Initiating Participant's priority allocation as in the existing PIP rules. This execution priority is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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<sup>78</sup> See proposed Rule 7245(f)(3)(i).

<sup>79</sup> The execution priority of interest on the BOX Book over Complex Orders is consistent with existing Rule 7240(b)(3)(i).

<sup>80</sup> See proposed Rule 7245(g)(1) and (2).

Upon adoption of the proposal, the Exchange will operate price improvement auctions in both single options series and Complex Orders.<sup>81</sup> As with the PIP, the Exchange will not operate multiple, simultaneous COIPs on the same Strategy. However, the Exchange proposes that BOX will accept orders designated for the PIP on a single option series where a COIP on a Complex Order Strategy that includes such series may be in progress. BOX will also accept Complex Orders designated for the COIP where a PIP on either of the component series may be in progress. Order execution at the conclusion of such PIPs will occur as described in the PIP rules<sup>82</sup> and Complex Order execution at the conclusion of such COIPs will occur as set forth in the proposed Rule 7245.<sup>83</sup> The Exchange believes this simultaneous price improvement auction functionality will reduce order cancelation and, thereby remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

The Exchange proposes that, as in the PIP, when executing Customer Complex Orders by way of the COIP, Options Participants must ensure that they comply with all the procedures set forth in these Rules for such transactions; that they act with due skill, care and diligence; and that the interests of their Customers are not prejudiced.<sup>84</sup> An Options Participant must not use the COIP process to create a misleading impression of market activity (i.e., the facilities may be used only where there is a genuine intention to execute a bona fide transaction).<sup>85</sup> These

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<sup>81</sup> Exchange rules governing events occurring during permitted, simultaneous auctions are clear. Processes on the BOX system are sequential, which prevents any two orders (including PIP Orders and COIP Orders) from having the same time stamp. Each order is processed in accordance with Exchange rules without race conditions.

<sup>82</sup> PIP execution rules are set forth in Rule 7150.

<sup>83</sup> See proposed IM-7245-3.

<sup>84</sup> See proposed Rule 7245(c).

<sup>85</sup> See proposed Rule 7245(e).

provisions are substantially the same as the corresponding rules for the PIP<sup>86</sup> and are important customer protection features that prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade and protect investors and the public interest.<sup>87</sup>

All market participants are able to receive broadcast notification of COPIPs and Improvement Orders via the HSVF. As a result, no Participants will have an information advantage and the proposal serves to promote just and equitable principles of trade and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange proposes to make certain miscellaneous conforming and clarifying changes to Rules 100, 3000, 7070, 7110, 7130, 7140, 7150, and 7240 to make them consistent with the adoption of the proposed COPIP rule. These conforming and clarifying changes are required to make the COPIP rules consistent with the Exchange's PIP rules and are necessary to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

For the foregoing reasons, the Exchange believes this proposal is a reasonable modification to its rules, designed to facilitate increased interaction of Complex Orders on the Exchange, and to do so in a manner that ensures a dynamic, real-time trading mechanism that maximizes opportunities for trade executions for Complex Orders. The Exchange believes it is appropriate and consistent with the Act to adopt the proposed rule changes.

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<sup>86</sup> See Rule 7150(c), (d) and (e).

<sup>87</sup> The proposed COPIP rules are similar to the Exchange's existing PIP rules. As a result, the Exchange believes an analysis of Section 11(a) of the Securities Exchange Act of 1934 is not warranted here.



B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe the proposed rule change represents any undue burden on competition or will impose any burden on competition among exchanges in the listed options marketplace not necessary or appropriate in furtherance of the purposes of the Act. Subject to the priority rules described above, the features of the proposed rule change will apply equally to all Participants and are available to all Participants.

Submitting a Complex Order to the COPIP will be entirely voluntary and Participants will determine whether they wish to submit COPIP Orders to the Exchange. The Exchange operates in a highly competitive marketplace with other competing exchanges and market participants can readily direct their Complex Order flow to other exchanges if they so choose.

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:

(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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2013-43 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-2013-43. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method.

The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 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 offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-BOX-2013-43, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>88</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>88</sup> 17 CFR 200.30-3(a)(12).