SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70488; File No. SR-BOX-2013-45)

September 24, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Exchange Rules in Order to Implement the Upcoming Change to Friday Expiration Processing and Eventual Transition to Friday Expiration for All Monthly Expiration Contracts

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 September 19, 2013, BOX Options Exchange LLC ("BOX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. 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 Substance of the Proposed Rule Change

The Exchange proposes to amend the Exchange rules in order to implement the upcoming change to Friday expiration processing and eventual transition to Friday expiration for all monthly expiration contracts. 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 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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend certain rules in order to implement the upcoming change to Friday expiration processing and eventual transition to Friday expiration for all monthly expiration contracts. Specifically, this proposal is based on a recent filing by The Options Clearing Corporation ("OCC") and is designed to conform the Exchange's rules to the changes implemented by the OCC.[3] The Exchange believes that the industry must remain consistent in expiration dates, and, thus, is proposing to update its rules to remain consistent with those of OCC. The Exchange understands that other exchanges have and will be filing similar rules to effect this industry-wide initiative. Additionally, these changes are based on a proposal recently submitted by NYSE Arca, Inc. ("NYSE Arca").[4]

OCC Proposal

Most option contracts ("standard expiration contracts") currently expire at the "expiration time" (11:59 pm Eastern Time) on the Saturday following the third Friday of the specified expiration month (the "expiration date").[5] As a result of the OCC's rule change, the expiration date for monthly expiration contracts would be changed to the third Friday of the expiration

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3 See Securities Exchange Act Release No. 69772 (June 17, 2013), 78 FR 37645 (June 21, 2013)(Order approving SR-OCC-2013-04).

4 See Securities Exchange Act Release No. 70372 (September 11, 2013)(Notice of Filing and Immediate Effectiveness of SR-NYSEARCA-2013-88).

5 See, e.g., the definition of "expiration time" in Article I of the OCC By-Laws.

month. The expiration time would continue to be 11:59 p.m. ET on the expiration date. The expiration date change would apply only to monthly expiration contracts expiring after February 1, 2015, and, in this regard, the Exchange does not propose to change the expiration date for any outstanding option contract.

The change will apply only to series of option contracts opened for trading after the effective date of the OCC rule change and having expiration dates later than February 1, 2015. Option contracts having non-standard expiration dates ("non-standard expiration contracts") will be unaffected by this proposed rule change, except that flexibly structured ("FLEX") options having expiration dates later than February 1, 2015 cannot expire on a Saturday unless they are specified by OCC as grandfathered.

In order to provide a smooth transition to the proposed Friday expiration, the Exchange, together with other option exchanges and the OCC, began moving the expiration exercise procedures to Friday for all monthly expiration contracts on June 21, 2013, even though the contracts will continue to expire on Saturday. After February 1, 2015, virtually all monthly expiration contracts would actually expire on Friday. The only monthly expiration contracts that would expire on a Saturday after February 1, 2015 would be certain options that were listed prior to the effectiveness of the OCC's proposal, and a limited number of options that may be listed prior to necessary systems changes of the Exchange and the other options exchanges, which were completed in August 2013. The Exchange, along with other option exchanges, has agreed that, once these systems changes are made, it will not list any additional options with Saturday expiration dates falling after February 1, 2015.

Background

Saturday was established as the monthly expiration date for OCC-cleared options primarily in order to allow sufficient time for processing of option exercises, including correction of errors, while the markets were closed and positions remained fixed. However, improvements in technology and long experience have rendered Saturday expiration processing inefficient. Indeed, many non-monthly expiration contracts are currently traded with business day expiration dates. These include FLEX options and quarterly, monthly, and weekly options. Expiration exercise processing for these non-monthly expiration contracts occurs on a more compressed timeframe and with somewhat different procedures than Saturday expiration processing for monthly expiration contracts.

It has been a long-term goal of OCC and its clearing members to move the expiration process for all monthly expiration contracts from Saturday to Friday night. Eliminating Saturday expirations will allow OCC to streamline the expiration process for all monthly expiration contracts and increase operational efficiencies for OCC and its clearing members. Furthermore, it will compress the operational timeframe for processing the options expirations such that clearing members will be required to reconcile options trades on the trade date, which will enhance intra-day risk management of cleared trades by the clearing member and promote real-time trade date reconciliation and position balancing by clearing members.

Industry groups, clearing members and the option exchanges have been active participants in planning for the transition to the Friday expiration. In March 2012, OCC began to discuss moving monthly expiration contracts to Friday expiration dates with industry groups, including two Securities Industry and Financial Markets Association (“SIFMA”) committees, the Operations and Technology Steering Committee and the Options Committee, and at two major industry conferences, the SIFMA Operations Conference and the Options Industry Conference. OCC also discussed the project with the Intermarket Surveillance Group and at an OCC Operations Roundtable. In each case, the initiative received broad support.

Friday expiration processing is also consistent with the long-standing rules and procedures of the options exchanges and the Financial Industry Regulatory Authority ("FINRA"), which generally provide that exercise decisions with respect to expiring monthly expiration contracts must be made by, and exercise instructions may not be accepted from customers after, 5:30 p.m. ET on the business day preceding expiration (usually Friday).[6] Brokerage firms may set earlier cutoff times for customers submitting exercise notices. Clearing members of OCC are permitted to submit exercise instructions after the cutoff time ("supplementary exercises") only in case of errors or other unusual situations, and may be subject to fines or disciplinary actions.[7] The Exchange believes that the extended period between cutoff time and expiration of options is no longer necessary given modern technology.

Transition Period

Based on significant dialogue between the Exchange, other option exchanges, the OCC and its clearing members regarding the move to Friday expiration, the Exchange believes that the adoption of Friday expiration for monthly expiration contracts is best accomplished through an appropriate transition period, during which processing activity for all options, whether expiring on Friday or Saturday, has moved to Friday, followed by a change in the

6 See, e.g., FINRA Rule 2360(b)(23)(A)(iii), which provides that "[o]ption holders have until 5:30 p.m. Eastern Time ('ET') on the business day immediately prior to the expiration date to make a final exercise decision to exercise or not exercise an expiring option. Members may not accept exercise instructions for customer or noncustomer accounts after 5:30 p.m. ET."

7 See OCC Rule 805(g).

expiration day for new series of options. In May 2012, it was determined that Friday, June 21, 2013, would be an appropriate date on which to move expiration processing from Saturday to Friday night.

Accordingly, and based on the OCC's related proposal, beginning June 21, 2013, Friday expiration processing is in effect for all expiring monthly expiration contracts, regardless of whether the contract's actual expiration date is Friday or Saturday. However, for contracts having a Saturday expiration date, exercise requests received after Friday expiration processing is complete, but before the Saturday contract expiration time, will continue to be processed, without fines or penalties, so long as they are submitted in accordance with OCC's procedures governing such requests. After the transition period and the expiration of all existing Saturday-expiring options, expiration processing would be a single operational process and would run on Friday night for all monthly expiration contracts.

Friday Expiration Processing Schedule

Previously, expiration processing for monthly expiration contracts began on Saturday morning at 6:00 a.m. Central Time ("CT") and was completed at approximately noon CT when margin and settlement reports are available. The window for submission of instructions in accordance with OCC's exercise-by-exception procedures under OCC Rule 805(d) was open from 6:00 a.m. to 9:00 a.m. CT on Saturday morning.[8] As proposed by OCC, the window for submission of exercise-by-exception instructions is now open from 6:00 p.m. to 9:15 p.m. CT on

[8] OCC's exercise-by-exception procedures are described in OCC Rule 805(d), which generally provides that each clearing member will automatically be deemed to have submitted an exercise notice immediately prior to the expiration time for all in-the-money option contracts unless the clearing member has instructed OCC otherwise in a written exercise notice.

Friday evening.[9] Friday expiration processing for monthly expiration contracts therefore now begins at 6:00 p.m. CT on Friday evening and ends at approximately 2:00 a.m. CT on Saturday morning when margin and settlement reports would be available.[10]

Exercises for monthly expiration contracts with Saturday expirations must be allowed under the terms of the contracts. However, in order to accommodate the proposed new expiration schedule, the OCC also proposed to shorten the period of time in which clearing members may submit a supplementary exercise notice under OCC Rule 805(b). In addition, OCC amended Rule 801 to eliminate the ability of clearing members to revoke or modify exercise notices submitted to OCC. This change, along with the change in the processing timeline discussed above, more closely aligns OCC's expiration processing procedures with self-regulatory organization rules, including those of the Exchange, under which exchange members must submit exercise instructions by 5:30 p.m. ET on Friday and may not accept exercise instructions from customers after 5:30 p.m. ET on Friday. Accordingly, this change does not represent a departure from current practices for clearing members or their customers.

Grandfathering of Certain Options Series

Certain option contracts have already been listed on participant exchanges, including the Exchange, with Saturday expiration dates as distant as December 2016. Additionally, until participant exchanges, including the Exchange, complete certain systems enhancements, it is possible that additional option contracts may be listed with Saturday expiration dates beyond

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9 See supra, note 3. The exercise-by-exception window for weekly and quarterly expiration options is from 6:00 p.m. to 7:00 p.m. CT.

10 The new expiration schedule for Friday expiration processing is similar to the expiration schedule for weekly options, which begins at 6:00 p.m. CT on Friday evening and ends at 11:30 p.m. CT on Friday evening. All timeframes would be set forth in OCC's procedures and subject to change based on OCC's experience with Friday expiration processing.

February 1, 2015. For these contracts, transitioning to a Friday expiration for newly-listed option contracts expiring after February 1, 2015 would create a situation under which certain option open interest would expire on a Saturday while other option open interest would expire on a Friday in the same expiration month. OCC clearing members have expressed a clear preference to not have a mix of option open interest in any particular month. Accordingly, the Exchange and other option exchanges have agreed not to permit the listing of, and OCC will not accept for clearance, any new option contracts with a Friday expiration if existing option contracts of the same series expire on the Saturday following the third Friday of the same month. However, Friday expiration processing will be in effect for these Saturday expiration contracts. As with monthly expiration contracts during the transition period, exercise requests received after Friday expiration processing is complete, but before the Saturday contract expiration time, will continue to be processed without fines or penalties.

Proposed Amendments to the Exchange's Rules

In order to implement the change to Friday expiration processing and eventual transition to Friday expiration for all monthly expiration contracts, the Exchange proposes to amend certain of its rules, as described below. The Exchange is also proposing, with this filing, to replace any reference in the purpose section of any past Exchange rule filings or previously released circulars to any expiration date other than Friday for a standard options contract with the new Friday standard. Essentially, the Exchange is now proposing to replace any historic references to expiration dates to be replaced with the proposed Friday expiration.

The Exchange proposes to amend Rule 9000 (Exercise of Options Contracts) in several areas, each of which is designed to differentiate between Friday and Saturday expirations. First, the Exchange proposes to specify in Rule 9000(b) that special procedures apply to the exercise of equity options on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the last business day before their expiration. Second, the Exchange proposes to specify in Rule 9000(c) that, regarding exercise cut-off times, option holders have until 5:30 p.m. ET on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the business day immediately prior to the expiration date. Third, the Exchange proposes to specify in Rule 9000(h) that the advance notice described therein is applicable if provided by the Exchange on or before 5:30 p.m. ET on the business day (i.e., on Thursday) immediately prior to the business day of expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the business day immediately prior to the last business day before the expiration date (i.e., Thursday for Saturday expirations). Fourth, the Exchange proposes to specify in Rule 9000(i)(2) that the reference therein to “unusual circumstances” includes, but is not limited to, a significant news announcement concerning the underlying security of an option contract that is scheduled to be released just after the close on the business day the option contract expires (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the business day immediately prior to expiration. Fifth, the Exchange proposes to specify in Rule 9000(l)(8)(ii) that exercises of expiring American-style, cash-settled index options are not prohibited on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the last business day prior to their expiration.

The Exchange proposes to amend Rule 6090(c) (Procedures for Adding and Deleting Strike Prices) with respect to the permitted timing for adding new series of index option contracts so as to differentiate between Friday and Saturday expirations. The Exchange proposes to specify that new series of index option contracts may be added up to, but not on or after, the fourth business day prior to expiration for an option contract expiring on a business day (i.e., up to, but not on or after, the opening of trading on Monday morning for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, the fifth business day prior to expiration.

The Exchange proposes to amend Rule 5050 (Series of Options Contracts Open for Trading) to differentiate between Friday and Saturday expirations. Specifically, the Exchange would specify that additional series of individual stock options may be added in unusual market conditions until the close of trading on the business day prior to expiration in the case of an option contract expiring on a business day (i.e., Thursday for a Friday expiration), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, until the close of trading on the second business day prior to expiration (i.e., until the close of trading on Thursday for Saturday expirations).

The Exchange proposes to amend Rule 3170 (Other Restrictions on Option Transactions and Exercises) with respect to certain timing for restrictions on the exercise of option contracts. Specifically, the Exchange proposes to specify that the 10-business-day period referenced in Rule 3170(a)(2) includes the expiration date for an option contract that expires on a business day. The Exchange also proposes to specify that, with respect to index options, restrictions on exercise may be in effect until the opening of business on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the last business day before the expiration date. Finally, the Exchange proposes to specify in Rule 3170(a)(3)(B) that exercises of expiring American-style, cash-settled index options are not prohibited on the business day of their expiration (i.e., for Friday expirations), or, in the case of an option contract expiring on a day that is not a business day, and as is currently the case for Saturday expirations, on the last business day prior to their expiration

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"),[11] in general, and Section 6(b)(5) of the Act,[12] 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.

In particular, the Exchange believes that keeping its rules consistent with those of the industry will protect all participants in the market by eliminating confusion. The proposed changes thus allow for a more orderly market by allowing all options markets, including the clearing agencies, to have the same expiration date for standard options. In addition, the proposed changes will foster cooperation and coordination with persons engaged in regulating clearing, settling, processing information with respect to, and facilitating transactions in securities by aligning a pivotal part of the options processing to be consistent industry wide. If the industry were to differ, investors would suffer from confusion and be more vulnerable to

[11] 15 U.S.C. 78f(b).

[12] 15 U.S.C. 78f(b)(5).

violate different exchange rules. The proposed changes do not permit unfair discrimination between any Participants because they are applied to all Participants equally. In the alternative, the Exchange believes that it helps all Participants by keeping the Exchange consistent with OCC practices and those of other Exchanges.

The Exchange further believes that the proposed rule change is consistent with the Act because the extended period between cutoff time and expiration of options is no longer necessary given modern technology. In this regard, and based on significant dialogue between the Exchange, other option exchanges, the OCC and its clearing members regarding the move to Friday expiration, the Exchange believes that the adoption of Friday expiration for monthly expiration contracts is best accomplished through an appropriate transition period during which processing activity for all options, whether expiring on Friday or Saturday, has moved to Friday, followed by a change in the expiration day for new series of options.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is substantially similar to a filing submitted by NYSE Arca.[13] The Exchange does not believe the proposed rule change will impose a burden on intramarket competition because it will be applied to all Participants equally. In addition, the Exchange does not believe the proposed rule change will impose any burden to intermarket competition because it will be applied industry wide and apply to all market participants. The proposed rule change is not designed to address any aspect of competition, whether between the Exchange and its competitors, or among market participants.

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13 See supra, note 4.

Instead, the proposed rule change is designed to allow OCC to streamline the expiration process for all monthly expiration contracts and increase operational efficiencies for OCC and its clearing members. The proposed rule change also will allow OCC and its clearing members to reduce operational risk. Moreover, OCC has coordinated moving to a Friday night expiration process with options industry participants, including the Exchange, and has also obtained assurance from all such participants that they are able to adhere to OCC's Friday night expiration implementation schedule. Therefore, the Exchange does not believe the proposed rule change would impose a burden on competition.

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. The Exchange notes, however, that a favorable comment was submitted to the OCC filing.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[14] and Rule 19b-4(f)(6) thereunder.[15] Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

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[14] 15 U.S.C. 78s(b)(3)(A)(iii).

[15] 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act[16] to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-BOX-2013-45 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 No. SR-BOX-2013-45. 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,

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16 15 U.S.C. 78s(b)(2)(B).

all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; 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 No. SR-BOX-2013-45 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.[17]

Kevin M. O'Neill
Deputy Secretary

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[17] 17 CFR 200.30-3(a)(12).