

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-71343; File No. SR-BOX-2014-03)

January 17, 2014

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to add Rule 7280 (Bulk Cancellation of Trading Interest)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 6, 2014, BOX Options Exchange LLC (the “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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to add Rule 7280 (Bulk Cancellation of Trading Interest) to codify and clarify a protection mechanism already available on the Exchange. 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 received on the proposed rule change. The text of these statements may be examined at the places

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

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

specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange is proposing to add BOX Rule 7280 (Bulk Cancellation of Trading Interest) to codify and clarify protection mechanisms already available on the Exchange. The Exchange currently has the ability to cancel all of a Participant's bids, offers and orders when directed by the Participant. In addition, when requested by the Participant, the Exchange can block any incoming orders from the Participant. The Exchange believes that these bulk cancellation mechanisms provide value to Participants by helping them quickly mitigate the risk of erroneous trades when faced with technology issues.

The Exchange is proposing to add BOX Rule 7280 to codify these existing mechanisms and provide clarity on how they function. As set forth in proposed Rule 7280, when instructed by a Participant, the Exchange can simultaneously cancel all the bids, offers, and orders of a Participant in all series in all classes of options. In order for the Exchange to remove the bids, offers and orders of a Participant, the Participant must call the BOX Market Operations Center ("MOC").<sup>3</sup> The Exchange believes requiring Participants to contact the MOC directly is necessary since the Participant could be experiencing difficulties connecting to the Exchange and may have no other method of contacting the Exchange. Additionally, if the Participant is experiencing system issues they may not be confident in their ability to send a message to the Trading Host directly. Therefore, the Exchange believes requiring Participants to contact the

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<sup>3</sup> The term "Market Operations Center" or "MOC" means the BOX Market Operations Center, which provides market support for Options Participants during the trading day. See BOX Rule 100(a)(31).

MOC directly for all bulk cancelation requests will lead to less investor confusion whenever these situations occur.

Proposed Rule 7280 also states that when requested, the Exchange will block all new incoming orders submitted by the Participant until the Participant contacts the MOC to have the block removed. The Exchange believes this feature provides an additional layer of protection by blocking new orders that could have been sent in error or with incorrect prices when a Participant's systems were compromised. Blocking all new incoming orders can give the Participant time to address the particular system issue without having to continually cancel any new orders being sent to the Exchange. Once the issue is resolved, the Participant must contact the MOC to remove the block.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>4</sup> in general, and Section 6(b)(5) of the Act,<sup>5</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 believes that cancelling all bids, offers, and orders when requested by a Participant reduces the risk of unintended executions and executions at erroneous prices, thereby serving to protect investors and the public interest. The Exchange believes that the proposed rule assists with the maintenance of fair and orderly markets by helping to mitigate the potential risks

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<sup>4</sup> 15 U.S.C. 78f(b).

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

associated with the execution of orders when a Participant is experiencing system issues. In addition, the ability for the Exchange to block new incoming orders provides an additional layer of protection for the Participant against unintended executions, thereby promoting a fair and orderly market.

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. The Exchange believes the proposal will provide Participants with additional protection from anomalous executions when the Participant is experiencing system problems or difficulties connecting with the Trading Host. The Exchange notes that this functionality is available to all Participants. Additionally, this functionality does not require any changes or upgrades to any Participant's system. Thus, the Exchange does not believe the proposal creates any significant impact 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.

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

Because the foregoing proposed rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, 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<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup>

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

At any time within 60 days of the filing of the 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.

#### 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-2014-03 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-2014-03. 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

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<sup>7</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its 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 met this requirement.

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 am and 3:00 pm. 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

Number SR-BOX-2014-03 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).