

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73547; File No. SR-BOX-2014-25)

November 6, 2014

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Market LLC (“BOX”) Options Facility

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 31, 2014, 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 Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. 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 is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule to amend the Fee Schedule [sic] on the BOX Market LLC (“BOX”) options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on November 1, 2014. 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

<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 Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 proposes to make a number of changes to the BOX Fee Schedule.

Exchange Fees

Non-Auction Transactions

First, the Exchange proposes to amend Section I (Exchange Fees) to establish a subsection entitled "Non-Auction Transactions."⁵ The Exchange then proposes to adopt the current fee structure for Non-Auction Transactions in Select Symbols for all Non-Auction transactions on BOX. With this change the Select Symbols fee structure outlined in Section I.C. of the BOX Fee Schedule will be removed.

Currently, Non-Auction Transactions in non-Select Symbols are subject to the fee structure outlined in Section I of the BOX Fee Schedule. For every Non-Auction Transaction, Public Customers are assessed a \$0.07 fee per contract and Professional Customers and Broker Dealers \$0.42 per contract. Market Makers are assessed a per contract fee based upon the Market

⁵ Non-Auction Transactions are those transactions executed on the BOX Book.

Maker's Monthly ADV in all transactions executed on BOX, as calculated at the end of each month. All Non-Auction Transactions for that month are charged the same per contract fee according to the ADV achieved by the Market Maker, which ranges from \$0.13 to \$0.35.

In proposed Section I.A. (Non-Auction Transactions), the Exchange proposes to adopt a pricing model where the Exchange will assess transaction fees and credits dependent upon three factors: (i) the account type of the Participant submitting the order; (ii) whether the Participant is a liquidity provider or liquidity taker; and (iii) the account type of the contra party. Non-Auction Transactions in Penny Pilot Classes will also be assessed different fees or credits than Non-Auction Transactions in Non-Penny Pilot Classes.

The Exchange also proposes to specify that these transactions will now be exempt from the Liquidity Fees and Credits outlined in Section II of the BOX Fee Schedule. The proposed fee structure for all Non-Auction Transactions is as follows:

		Penny Pilot Classes		Non-Penny Pilot Classes	
Account Type	Contra Party	Maker Fee/Credit	Taker Fee/Credit	Maker Fee/Credit	Taker Fee/Credit
Public Customer	Public Customer	\$0.00	\$0.00	\$0.00	\$0.00
	Professional Customer/ Broker Dealer	(\$0.22)	(\$0.22)	(\$0.57)	(\$0.57)
	Market Maker	(\$0.22)	(\$0.22)	(\$0.57)	(\$0.57)
Professional Customer or Broker Dealer	Public Customer	\$0.55	\$0.59	\$0.90	\$0.94
	Professional Customer/ Broker Dealer	\$0.20	\$0.35	\$0.30	\$0.35
	Market Maker	\$0.20	\$0.39	\$0.30	\$0.39

Market Maker	Public Customer	\$0.51	\$0.55	\$0.85	\$0.90
	Professional Customer/Broker Dealer	\$0.00	\$0.05	\$0.00	\$0.10
	Market Maker	\$0.10	\$0.29	\$0.10	\$0.29

For example, if a Public Customer submitted an order to the BOX Book in a Penny Pilot Class (making liquidity), the Public Customer would be credited \$0.22 if the order interacted with a Market Maker's order and the Market Maker (taking liquidity) would be charged \$0.55. To expand on this example, if the Market Maker instead submitted an order to the BOX Book in a Penny Pilot Class (making liquidity), the Market Maker would be charged \$0.51 if the order interacted with a Public Customer's order and the Public Customer (taking liquidity) would again be credited \$0.22.

Tiered Volume Rebate for Non-Auction Transactions

Accordingly, the Exchange proposes to adopt the same tiered volume-based rebate for Market Makers and Public Customers in Non-Auction Transactions that was previously applied to Non-Auction Transactions in Select Symbols. Specifically, Market Makers and Public Customers will receive a per contract rebate based on ADV considering all transactions executed on BOX by the Market Maker or Public Customer, respectively, as calculated at the end of each month. All Non-Auction Transactions for that month will receive the same per contract rebate according to the ADV achieved by the Market Maker or Public Customer. However, the Exchange proposes to specify that Non-Auction Transactions where a Public Customer order interacts with another Public Customer order will be exempt from the per contract rebate listed below. These transactions will still count toward the Public Customer's monthly ADV.

The new per contract rebate for Market Makers and Public Customers in Non-Auction Transactions as set forth in Section I.A.1. of the BOX Fee Schedule will be as follows:

Market Maker Monthly ADV	Per Contract Rebate
100,001 contracts and greater	(\$0.15)
60,001 contracts to 100,000 contracts	(\$0.10)
35,001 contracts to 60,000 contracts	(\$0.07)
10,001 contracts to 35,000 contracts	(\$0.03)
1 contract to 10,000 contracts	\$0.00

Public Customer Monthly ADV	Per Contract Rebate
35,001 contracts and greater	(\$0.10)
15,001 contracts to 35,000 contracts	(\$0.06)
5,001 contracts to 15,000 contracts	(\$0.03)
1 contract to 5,000 contracts	\$0.00

Auction Transactions

The Exchange then proposes to amend Section I (Exchange Fees) to establish a subsection entitled “Auction Transactions.”⁶ The Auction Transactions fees for Public Customers, Professional Customers and Broker Dealers will remain unchanged. For Market Makers, the Exchange proposes to adopt a fee of \$0.20 for PIP Orders, COPIP Orders and Agency Orders.⁷ Currently Market Makers are assessed a per contract fee based upon the Market Maker’s Monthly ADV in all transactions executed on BOX, as calculated at the end of each month. All PIP, COPIP and Agency Orders for that month are charged the same per contract fee according to the ADV achieved by the Market Maker, which ranges from \$0.13 to \$0.35. The

⁶ Auction Transactions are those transactions executed through the Price Improvement Period (“PIP”), the Complex Order Price Improvement Period (“COPIP”), the Solicitation Auction mechanism, and the Facilitation Auction mechanism. All COPIP transactions will be charged per contract per leg.

⁷ A PIP Order or COPIP Order is a Customer Order (an agency order for the account of either a customer or a broker-dealer) designated for the PIP or COPIP, respectively. An Agency Order is a block-size order that an Order Flow Provider seeks to facilitate as agent through the Facilitation Auction or Solicitation Auction mechanism.

Exchange then proposes to remove the Tiered Fee Schedule for Market Makers based upon Monthly Average Daily Volume in current Section I.B.

The new Auction Transactions as set forth in Section I.B. of the BOX Fee Schedule will be as follows:

	Account Type			
	Public Customer	Professional Customer	Broker Dealer	Market Maker
PIP Order, COPIP Order, or Agency Order	\$0.00	\$0.37	\$0.37	\$0.20
Improvement Order in PIP or COPIP ⁸	\$0.15	\$0.37	\$0.37	\$0.30
Responses in the Solicitation or Facilitation Auction Mechanisms	\$0.15	\$0.37	\$0.37	\$0.30
Primary Improvement Order ⁹ , Facilitation Order, or Solicitation Order	Based on ADV, see Section I. B.1	Based on ADV, see Section I. B.1	Based on ADV, see Section I. B.1	Based on ADV, see Section I. B.1

Liquidity Fees and Credits

Since all Non-Auction Transactions will now fall under Section I [sic] the new fee structure and be exempt from Section II Liquidity Fees and Credits, BOX proposes to remove subsection C (Non-Auction Transactions) from Section II. With the removal of subsection C, the Exchange proposes to move the bullet regarding non-immediately marketable orders to Section II.A (PIP and COPIP Transactions). A non-immediately marketable order that executes against a PIP Order or a COPIP Order, therefore becoming an Unrelated Order, will continue to be charged as an Improvement Order for purposes of the BOX Fee Schedule.

⁸ An Improvement Order is a response to a PIP or COPIP auction.

⁹ A Primary Improvement Order is the matching contra order submitted to the PIP or COPIP on the opposite side of an agency order.

The Exchange then proposes to edit the language in proposed Section II.C, formerly Section II.D. (Exempt Transactions) and add the following fees for transactions which occur on the opening or re-opening of trading. For these transactions, which are deemed neither to “add” nor “remove” liquidity, the Exchange proposes to assess a flat fee per contract of \$0.00 for Public Customers, \$0.20 for Professional Customers and Broker Dealers and \$0.12 for Market Makers. The Exchange also proposes to clarify that outbound Eligible Orders routed to an Away Exchange, as defined in Rule 15000 Series, remain subject to the fees outlined in Section IV. Eligible Orders Routed to an Away Exchange.

Finally, the Exchange proposes to remove the “Select Symbols” language in Section II.C. (Exempt Transactions) that states that Non-Auction Transactions in Select Symbols will be considered exempt from all liquidity fees and credits. With the proposed changes, all Non-Auction Transactions will be considered exempt.

MNX

The Exchange also proposes to amend the Fee Schedule to remove the reference to the Mini Nasdaq 100 Index (NDX) [sic].

Because the Exchange has delisted the Mini-NDX® Index (MNX), the Exchange proposes to remove the reference to MNX from the BOX Fee Schedule. Currently, Section I (Exchange Fees) of the BOX Fee Schedule provides for a surcharge to be applied to options on any index traded on BOX; which includes a \$0.22 per contract surcharge for options on MNX. The Exchange has since delisted options on MNX and they are no longer traded on BOX. As such, no related surcharge will apply and the Exchange is proposing to remove the reference from the BOX Fee Schedule.

Other

Finally, the Exchange is proposing to make additional non-substantive changes to the Fee Schedule. Specifically, the Exchange is renumbering certain footnotes, headings and internal references to accommodate the above proposed changes to the Fee Schedule. The Exchange also proposes to move the BOX Volume Rebate from current Section I.E of the Fee Schedule to proposed Section I.B (Auction Transactions).

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The proposed changes will allow the Exchange to be competitive with other exchanges and to apply fees and credits in a manner that is equitable among all BOX Participants. Further, the Exchange operates within a highly competitive market in which market participants can readily direct order flow to any other competing exchange if they determine fees at a particular exchange to be excessive.

Exchange Fees

Non-Auction Transactions

The Exchange believes adopting the current fee structure for Non-Auction Transactions in Select Symbols for all Non-Auction Transactions, regardless of symbol, is reasonable, equitable and not unfairly discriminatory. Even though the Select Symbol fee structure for Non-Auction Transactions was only adopted last month, it was well received by Participants and the industry and the Exchange believes it is appropriate to now apply it to all Non-Auction

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

Transactions. The proposed fee structure is intended to attract order flow to the Exchange by offering all market participants incentives to submit their Non-Auction orders to the Exchange. The practice of providing additional incentives to increase order flow is, and has been, a common practice in the options markets.¹¹ Further, the Exchange believes it is appropriate to provide incentives for market participants which will result in greater liquidity and ultimately benefit all Participants trading on the Exchange.

The Exchange also believes it is equitable, reasonable and not unfairly discriminatory to assess fees and credits according to the account type of the Participant originating the order and the contra party. This proposed fee structure was recently adopted by the Exchange for Non-Auction Transactions in Select Symbols¹² and is similar to the model adopted by the Exchange for Complex Orders Fees¹³ and has been accepted by both the Commission and the industry.¹⁴ The result of this structure is that a Participant does not know the fee it will be charged when submitting certain orders. Therefore, the Participant must recognize that it could be charged the highest applicable fee on the Exchange's schedule, which may, instead, be lowered or changed to a credit depending upon how the order interacts. This structure has been favorably received by

¹¹ See International Securities Exchange LLC (“ISE”) Schedule of Fees, Section I. Regular Order Fees and Rebates for Standard Options, Non-Select Symbols (page 6); NASDAQ OMX PHLX, (“PHLX”), Pricing Schedule Section B, “Customer Rebate Program”; and NYSE Arca, Inc (“Arca”) Options Fees and Charges, “Customer Monthly Posting Credit Tiers and Qualifications for Executions in Penny Pilot Issues”(page 4).

¹² See Securities Exchange Act Release No. 73397 (October 21, 2014), 79 FR 63982 (October 27, 2014)(Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Market LLC Options Facility).

¹³ See Securities Exchange Act Release No. 71312 (January 15, 2014), 79 FR 3649 (January 22, 2014)(Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule To Establish Fees for Complex Order Price Improvement Period (“COPIP”) Transactions).

¹⁴ This type of structure was also adopted by NYSE Arca in 2012. See Securities Release No. 68405 (December 11, 2012), 77 FR 74719 (December 17, 2012) (SR-NYSEArca-2012-137).

the industry and BOX Participants; therefore the Exchange is proposing to apply the same structure to all Non-Auction Transactions. After adopting this type of structure for Non-Auction Transactions, a Public Customer submitting an order on the BOX Book will recognize that it will not pay a fee for these transactions and that depending upon with whom the order executes, the Public Customer may receive an additional benefit for submitting the order. Likewise, a Professional Customer or Broker Dealer submitting an order will recognize that it will not be charged more than \$0.59 in Penny Pilot issues and \$0.94 in Non-Penny Pilot issues. The same is true for Market Makers, who will recognize that their maximum charge when submitting a Non-Auction order will be \$0.55 in Penny Pilot issues and \$0.90 in Non-Penny Pilot issues.

The Exchange believes that the proposed fees and credits for Public Customers in Non-Auction Transactions are reasonable. Under the proposed fee structure Public Customers will either pay a Maker fee of \$0.00 or receive a Maker/Taker credit of \$0.22 for Penny Pilot classes and \$0.57 for Non-Penny Pilot classes. These potential fees and credits are reasonable and will at all times be less than the current \$0.07 Exchange Fee that Public Customers pay in Non-Auction Transactions.

The Exchange believes providing a credit or charging no fee to Public Customers for all Non-Auction Transactions is equitable and not unfairly discriminatory. The securities markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for Public Customer benefit. Accordingly, the Exchange believes that charging no fee or providing a credit for Public Customers is appropriate and not unfairly discriminatory. Public Customers are less sophisticated than other Participants and the credit will help to attract a high level of Public Customer order flow to the BOX Book and create liquidity, which the Exchange believes will ultimately benefit all

Participants trading on BOX.

Finally, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to give Public Customers a credit when their orders execute against a non-Public Customer and, accordingly, charge non-Public Customers a higher fee when their orders execute against a Public Customer. As stated above, the Exchange aims to improve markets by developing features for the benefit of its Public Customers. Similar to the payment for order flow and other pricing models that have been adopted by the Exchange and other exchanges to attract Public Customer order flow, the Exchange increases fees to non-Public Customers in order to provide incentives for Public Customers. The Exchange believes that providing incentives for Non-Auction Transactions by Public Customers is reasonable and, ultimately, will benefit all Participants trading on the Exchange by attracting Public Customer order flow.

The Exchange believes that charging Professional Customers and Broker Dealers higher fees than Public Customers for Non-Auction Transactions is equitable and not unfairly discriminatory. Professional Customers, while Public Customers by virtue of not being Broker Dealers, generally engage in trading activity more similar to Broker Dealer proprietary trading accounts (submitting more than 390 standard orders per day on average). The Exchange believes that the higher level of trading activity from these Participants will draw a greater amount of BOX system resources than that of non-professional, Public Customers. Because this higher level of trading activity will result in greater ongoing operational costs, the Exchange aims to recover its costs by assessing Professional Customers and Broker Dealers higher fees for transactions.

The Exchange also believes it is equitable and not unfairly discriminatory for BOX Market Makers to be assessed lower fees than Professional Customers and Broker Dealers for

Non-Auction Transactions because of the significant contributions to overall market quality that Market Makers provide. Specifically, Market Makers can provide higher volumes of liquidity and lowering their fees will help attract a higher level of Market Maker order flow to the BOX Book and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX. As such, the Exchange believes it is appropriate that Market Makers be charged lower transaction fees than Professional Customers and Broker Dealers for Non-Auction Transactions.

The Exchange believes that the proposed fees and credits for all other Participants in Non-Auction Transactions are reasonable. Under the proposed fee structure, a Professional Customer or Broker Dealer making liquidity and interacting with a Professional Customer, Broker Dealer or Market Maker will either be charged a fee of \$0.20 for Penny Pilot Classes or \$0.30 for Non-Penny Pilot Classes. If the Professional Customer or Broker Dealer is instead taking liquidity in either Penny Pilot or Non-Penny Pilot Classes, it will be charged \$0.35 if it interacts with a Professional Customer or Broker Dealer and \$0.39 if it interacts with a Market Maker. The Exchange believes the fees listed above are reasonable as they are lower than the current \$0.42 Exchange Fee charged to Broker Dealers and Professional Customers in Non-Auction Transactions.

Similarly, in the proposed fee structure a Market Maker making liquidity in both Penny Pilot and Non-Penny Pilot Classes will either be charged a fee of \$0.00 for interacting with a Professional Customer or Broker Dealer or \$0.10 for interacting with another Market Maker. If the Market Maker is instead taking liquidity, it will be charged \$0.05 (for Penny Pilot Classes) and \$0.10 (for Non-Penny Pilot Classes) if it interacts with a Professional Customer or Broker Dealer. If a Market Maker is taking liquidity and interacts with another Market Maker they will

be charged \$0.29 in all situations. The Exchange believes the fees listed above are reasonable as they are, in most situations, lower than the current \$0.13 to \$0.35 Exchange Fee range for Market Makers under the BOX Fee Schedule and are in line with what is currently charged by the industry.¹⁵

The Exchange believes it is reasonable, equitable and not unfairly discriminatory for Professional Customers, Broker Dealers and Market Makers to be charged higher fees for both making and taking liquidity when interacting with Public Customers. In the proposed fee structure, a Professional Customer or Broker Dealer interacting with a Public Customer will be charged a \$0.55 Maker fee or \$0.59 Taker fee for Penny Pilot Classes and a \$0.90 Maker fee or \$0.94 Taker fee for Non-Penny Pilot Classes. Similarly a Market Marker interacting with a Public Customer will be charged a \$0.51 Maker fee or \$0.55 Taker fee for Penny Pilot Classes and a \$0.85 Maker fee or \$0.90 Taker fee for Non-Penny Pilot Classes. While these fees are higher than what these Participants are currently charged for Non-Auction Transactions in Non-Select Symbols, the Exchange believes they are reasonable as they are in line when compared to

¹⁵ Many U.S. Options Exchanges do not differentiate their fees between auction and non-auction transactions. However, the general range for Market Maker fees is between \$0.10 and \$0.89. See NASDAQ OMX BX (“BX”) Options Pricing, Chapter XV, Sec. 2; BX charges both BX Options Market Makers and Non-Customer/Non-BX Options Market Makers a fee of \$0.46 to remove liquidity in Penny Pilot Options and a fee of \$0.89 to remove liquidity in Non-Penny Pilot Options, a fee to add liquidity in Penny Pilot Options of \$0.40 to BX Options Market Makers and \$0.45 to Non-Customer/Non-BX Options Market Makers, and a fee to add liquidity in Non-Penny Pilot Options of \$0.50 to BX Options Market Makers (or \$0.85 when interacting with Customer) and \$0.88 for Non-Customer/Non-BX Options Market Makers. See NYSE Arca Options (“Arca”) Fees and Charges page 3; Arca charges NYSE Arca Market Makers \$0.16 for manual executions, \$0.49 to take liquidity in Penny Pilot Issues, and \$0.87 to take liquidity in Non Penny Pilot Issues. See International Securities Exchange (“ISE”) Schedule of Fees, Section I; ISE charges Market Makers \$0.10 for making liquidity in select symbols and \$0.42 for taking liquidity in select symbols.

similar fees in the options industry.¹⁶ Further, as stated above, the Exchange believes charging a higher fee for interactions with a Public Customer is equitable and not unfairly discriminatory because it allows the Exchange to incentivize Public Customer order flow by offering credits to Public Customers in Non-Auction Transactions. The Exchange believes that providing incentives for Non-Auction Transactions by Public Customers will benefit all Participants trading on the Exchange by attracting this Public Customer order flow.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory for Professional Customers, Broker Dealers and Market Makers to be charged a higher fee for orders removing liquidity when compared to the fee they receive for orders that add liquidity. Charging a lower fee for orders that add liquidity will promote liquidity on the Exchange and ultimately benefit all participants on BOX. Further, the concept of incentivizing orders that add liquidity over orders that remove liquidity is commonly accepted within the industry as part of the “Make/Take” liquidity model.¹⁷

Further, the Exchange believes it is equitable and not unfairly discriminatory to charge the Professional Customer or Broker Dealer more for taking liquidity against a Market Maker than they are charged for taking liquidity against other Professional Customers or Broker Dealers. As stated above, the Exchange proposes to provide certain incentives to Market Makers because of the high volumes of liquidity they can provide and increasing fees for Professional Customers and Broker Dealers taking liquidity will allow the Exchange to offer these incentives, ultimately benefiting all Participants trading on BOX.

Finally, the Exchange also believes it is reasonable to charge Professional Customers,

¹⁶ Id. Professional Customer and Broker Dealers are also charged anywhere from \$0.10 to \$0.89 within the option exchange fee schedules referenced above.

¹⁷ The “Make/Take” model is currently used by the International Securities Exchange LLC (“ISE”) and NASDAQ OMX PHLX LLC (“PHLX”).

Broker Dealers, and Market Makers less for certain executions in Penny Pilot issues compared to Non-Penny Pilot issues because these classes are typically more actively traded; assessing lower fees will further incentivize order flow in Penny Pilot issues on the Exchange, ultimately benefiting all Participants trading on BOX. Additionally, the Exchange believes it is reasonable to give a greater credit to Public Customers for Non-Auction Transactions in Non-Penny Pilot issues as compared to Penny Pilot issues. Since these classes have wider spreads and are less actively traded, giving a larger credit will further incentivize Public Customers to trade in these classes, ultimately benefitting all Participants trading on BOX.

The Exchange believes that the proposed Non-Auction Transactions fee structure will keep the Exchange competitive with other exchanges and will be applied in an equitable manner among all BOX Participants. The Exchange believes the proposed fee structure is reasonable and competitive with fee structures in place on other exchanges. Further, the Exchange believes that the competitive marketplace impacts the fees proposed for BOX.

Tiered Volume Rebate for Non-Auction Transactions

BOX believes it is reasonable, equitable and not unfairly discriminatory to introduce tiered volume based rebates for Market Makers and Public Customers in all Non-Auction Transactions. Other exchanges employ similar incentive programs,¹⁸ and the Exchange believes that its proposed volume thresholds and rebates are reasonable and competitive when compared to incentive structures at other exchanges.

¹⁸ See Section B of the PHLX Pricing Schedule entitled “Customer Rebate Program” and CBOE’s Volume Incentive Program (VIP). CBOE’s Volume Incentive Program (“VIP”) pays certain tiered rebates to Trading Permit Holders for electronically executed multiply-listed option orders which include AIM orders. Note that these exchanges base these rebate programs on the percentage of total national Public Customer volume traded on their respective exchanges, which the Exchange is not proposing to do.

Additionally, the Exchange believes that the proposed volume thresholds are reasonable because they will incentivize Public Customers and Market Makers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange. The Exchange believes that its proposed volume threshold and rebate is competitive when compared to rebate structures at other exchanges. Finally, the Exchange believes it is reasonable to exempt Non-Auction Transactions where a Public Customer order interacts with another Public Customer order from the per contract rebate. The Exchange does not believe a rebate in this situation is appropriate, as neither Public Customer will be paying a fee for the transaction. Further, these transactions will still count toward the Public Customer's monthly ADV.

The Exchange also believes it is equitable and not unfairly discriminatory to only adopt these structures for Public Customers and Market Makers. The proposed volume credits are intended to further encourage Public Customer and Market Maker Non-Auction order flow to the Exchange. Increased Public Customer and Market Maker volume will provide greater liquidity, which benefits all market participants on the Exchange. The practice of incentivizing increased Public Customer order flow is common in the options markets. Further, Market Makers also provide significant contributions to overall market quality. Specifically, Market Makers can provide high volumes of liquidity and lowering their Non-Auction Transaction fees will potentially help attract a higher level of Market Maker order flow and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

Auction Transactions

The Exchange believes it reasonable to remove the tiered fee structure for Market Makers based upon ADV. The tiered fee structure was adopted to incentivize Market Makers to direct

order flow to the Exchange, which the Exchange believes is now unnecessary with the adoption of the new Non-Auction Transactions fee structure as well as the Tiered Volume Rebates for Market Makers in Non-Auction Transactions. Additionally, in Auction Transactions Market Makers remain eligible for the BOX Volume Rebate for all PIP and COPIP Orders of 250 and under contracts. The Exchange believes it is reasonable to adopt a flat \$0.20 per contract fee for Market Makers in PIP Orders, COPIP Orders, and Agency Orders. Specifically, the Exchange believes the fee strikes the appropriate balance between the \$0.13 to \$0.35 fees that Market Makers are currently charged for these orders and is reasonable when compared to similar fees among the industry.¹⁹ Finally, the Exchange believes it is equitable and not unfairly discriminatory to charge a Market Maker less for PIP Orders, COPIP Orders, and Agency Orders than what is charged to Professional Customers and Broker Dealers. Generally, Market Makers have obligations on BOX that other Participants do not. They must maintain active two-sided markets in the classes in which they are appointed and must meet certain minimum quoting requirements. Market Makers can also provide high volumes of liquidity and assessing lower transaction fee [sic] may help attract a higher level of Market Maker order flow and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

Liquidity Fees and Credits

The Exchange believes that exempting all Non-Auction Transactions from Section II (Liquidity Fees and Credits) is reasonable, equitable and not unfairly discriminatory. The Exchange's Liquidity Fees and Credits are intended to attract order flow to the Exchange by offering incentives to all market participants to submit orders to the Exchange and the Exchange believes that the proposed fee structure will provide appropriate incentives to encourage

¹⁹ See supra, note 15.

Participants to submit Non-Auction Transactions to the Exchange. The Exchange believes that exempting Non-Auction Transactions from liquidity fees and credits is reasonable compared to the similar fees and credits offered by the other exchanges. The Exchange believes exempting Non-Auction Transactions from liquidity fees and credits is not unfairly discriminatory as the exemption from the liquidity fees and credits applies equally to all Participants on the Exchange.

The Exchange believes it is reasonable edit [sic] the Exempt Transactions subsection and to assess a flat fee for transactions which occur on the opening or re-opening of trading and are deemed neither to “add” nor “remove” liquidity. With the proposed fee structure for Non-Auction Transactions, which assess fees and credits dependent upon whether the Participant is a liquidity provider or liquidity taker, transactions on the opening or re-opening will not being [sic] charged an Exchange fee. For example, under the proposed Non-Auction fee structure a transaction on the opening would not be charged an Exchange Fee under Section I of the BOX Fee Schedule. Instead the Exchange is proposing to ensure that these transactions are assessed a fee. The Exchange has previously had this type of fee within the BOX Fee Schedule²⁰ and other exchanges with liquidity fees and credits also spell out how these transactions are treated within their respective fee schedules.²¹ The Exchange believes assessing a flat fee of \$0.00 for Public Customers, \$0.20 for Professional Customers and Broker Dealers and \$0.12 for Market Makers is in line with the Non-Auction Transactions fees outlined in the new fee structure. The Exchange believes it is equitable and not unfairly discriminatory for Public Customers to be

²⁰ See Securities Exchange Act Release No. 61342 (January 13, 2010), 75 FR 3503 (January 21, 2014 [sic])(Notice of Filing and Immediate Effectiveness of a [sic] Proposed Rule Change to Amend [sic] the Fee Schedule of the Boston Options Exchange Facility).

²¹ See ISE Gemini, LLC (“ISE Gemini”) Schedule of Fees Section I. Footnote 4 and Section II. Footnote 4. See NASDAQ OMX BX, Inc. (“BX”) Chapter XV Options Pricing Sec. 2(2). See NASDAQ Options Market LLC (“NOM”) Chapter XV Options Pricing Sec. 2(2).

charged no fee for transactions which occur on the opening or re-opening of trading. As stated above, the Exchange aims to improve markets by developing features for the benefit of its Public Customers. The Exchange also believes it is equitable and not unfairly discriminatory to charge a Market Maker less for these transactions than what is charged to Professional Customers and Broker Dealers; as stated above, Market Makers have obligations that other Participants do not and can also provide high volumes of liquidity that will ultimately benefit all Participants on the Exchange.

MNX

The Exchange believes it is reasonable to remove from the BOX Fee Schedule a reference to a fee that is no longer applicable as options on MNX have been delisted and are no longer traded on BOX. The Exchange also believes it is equitable and not unfairly discriminatory to remove all references to MNX as this applies equally to all Participants on the Exchange.

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 that adopting the proposed fee structure for all Non-Auction Transactions will not impose a burden on competition among various Exchange Participants. BOX currently assesses distinct standard contract Exchange Fees for different account and transaction types. The Exchange believes that applying a fee structure that is determined according to whether the order removes or adds liquidity, the account type of the Participant submitting the order, and the contra party will result in Participants being charged appropriately for these transactions. Submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange.

Further, the Exchange believes that this proposal will enhance competition between exchanges because it is designed to allow the Exchange to better compete with other exchanges for order flow.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²² and Rule 19b-4(f)(2) thereunder,²³ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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

²² 15 U.S.C. 78s(b)(3)(A)(ii).

²³ 17 CFR 240.19b-4(f)(2).

may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2014-25 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BOX-2014-25. 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, 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 Number SR-BOX-2014-25, 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.²⁴

Kevin M. O'Neill
Deputy Secretary

²⁴ 17 CFR 200.30-3(a)(12).