

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74474; File No. SR-BOX-2015-15)

March 11, 2015

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend BOX Rule 7170 to Provide for New Procedures to Account for Erroneous Trades Occurring from Disruptions and/or Malfunctions of Exchange Systems

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 March 2, 2015, 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 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 amend BOX Rule 7170 (Obvious and Catastrophic Errors) to provide for new procedures to account for erroneous trades occurring from disruptions and/or malfunctions of Exchange systems. 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

¹ 15 U.S.C. 78s(b)(1).

² 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend BOX Rule 7170 to provide for new procedures to account for erroneous trades occurring from disruptions and/or malfunctions of Exchange systems. This is a competitive filing that is based on the rules of NYSE MKT LLC (“NYSE MKT”).³

Proposed new Rule 7170(m) would provide that any transactions that arise out of a “verifiable systems disruption or malfunction” in the use or operation of an Exchange automated quotation, dissemination, execution, or communication system may either be nullified or adjusted by the Exchange. In addition, the proposed rule would provide that transactions that qualify for price adjustment will be adjusted to a Theoretical Price, as defined in paragraph (d) of Rule 7170. The Exchange notes that proposed Rule 7170(m) is virtually identical to NYSE MKT Rule 975NY(a)(9) and similar to rules in effect at other options exchanges that allow for the nullification or modification of transactions that resulted from verifiable disruptions and/or malfunctions of Exchanges [sic] systems.⁴

The proposed rule change would provide the Exchange with the same authority to nullify or adjust trades in the event of a “verifiable disruption or malfunction” in the use or operation of its systems as other exchanges have. The Exchange believes that it is appropriate to provide the

³ See NYSE MKT Rule 975NY. The proposed rule change is also substantially similar to NYSE Arca, Inc. (“NYSE Arca”) Rule 6.89, Chicago Board Options Exchange, Inc. (“CBOE”) Rule 6.25 and is similar to NASDAQ OMX PHLX, LLC (“Phlx”) Rule 1092(c)(ii)(A).

⁴ Id.

flexibility and authority provided for in proposed Rule 7170(m) so as not to limit the Exchange's ability to plan for and respond to unforeseen systems problems or malfunctions. For this reason, the Exchange believes that, in the interest of maintaining a fair and orderly market and for the protection of investors, authority to nullify trades in these circumstances, consistent with the authority on other exchanges, is warranted.

The Exchange further proposes that, similar to NYSE MKT Rule 975NY(b)(3), the Exchange may, on its own motion, review any transaction occurring on the Exchange that is believed to be a result of a verifiable disruption or malfunction of Exchange systems. The Exchange, when determining whether to review a transaction on its own motion pursuant to proposed Rule 7170(m), shall act as soon as possible after receiving notification of the transaction, and ordinarily would be expected to act on the same day as the transaction occurred. In no event shall the Exchange act later than 9:30 a.m. (ET) on the next trading day following the date of the transaction in question. The Exchange further notes that when acting under its own motion to nullify or adjust trades pursuant to proposed Rule 7170(m), the Exchange must consider whether taking such action would be in the interest of maintaining a fair and orderly market and for the protection of investors.

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"),⁵ in general, and Section 6(b)(5) of the Act,⁶ 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

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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 the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and national market system and promote a fair and orderly market because it would provide authority for the Exchange to nullify or adjust trades that may have resulted from a verifiable systems disruption or malfunction. The Exchange believes that it is appropriate to provide the flexibility and authority provided for in proposed Rule 7170(m) so as not to limit the Exchange's ability to plan for and respond to unforeseen systems problems or malfunctions that may result in harm to the public. Allowing for the nullification or modification of transactions that result from verifiable disruptions and/or malfunctions of Exchange systems will offer market participants on the Exchange a level of relief presently not available. The Exchange further notes that when acting under its own motion to nullify or adjust trades pursuant to proposed Rule 7170(m), the Exchange must consider whether taking such action would be in the interest of maintaining a fair and orderly market and for the protection of investors. The Exchange notes that the proposed rule change is based on the rules of NYSE MKT and is similar to the rules of other markets.⁷

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

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposed rule change is pro-competitive because it will better align the Exchange's rules with the rules of other markets, including NYSE MKT, CBOE, NYSE Arca, and Phlx. By adopting proposed Rule 7170(m), the Exchange will be in a position

⁷ See supra, note 3.

to treat transactions that are a result of a verifiable systems issue or malfunction in a manner similar to other exchanges.

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 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 for 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 Act⁸ and Rule 19b-4(f)(6)(iii) thereunder.⁹

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6)(iii). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2015-15 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-BOX-2015-15. 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, D.C. 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-2015-15, 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.¹⁰

Brent J. Fields
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).