SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-88894; File No. SR-BOX-2020-13)

May 18, 2020

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend IM-3120-2 to BOX Rule 3120 ("Position Limits") to Increase Position Limits for Options on Certain Exchange-Traded Funds ("ETFs"), and Thereby Similarly Increase Exercise Limits Under IM-3140-1 for Certain ETFs

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 May 7, 2020, BOX 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 IM-3120-2 to BOX Rule 3120 ("Position Limits") to increase position limits for options on certain exchange-traded funds ("ETFs"), and thereby similarly increase exercise limits under IM-3140-1 for certain ETFs. 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://boxoptions.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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend IM-3120-2 to BOX Rule 3120 ("Position Limits") to increase the position limits for options on the following exchange trade funds ("ETFs"): Standard and Poor's Depositary Receipts Trust ("SPY"), iShares MSCI EAFE ETF ("EFA"), iShares China Large-Cap ETF ("FXI"), iShares iBoxx High Yield Corporate Bond Fund ("HYG"), and Financial Select Sector SPDR Fund ("XLF"). This is a competitive filing that is based on a proposal recently submitted by the Chicago Board Options Exchange Incorporated ("Cboe") and approved by the Commission.[3]

Position limits are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. While position limits should address and discourage the potential for manipulative schemes and adverse market impact, if such limits are set too low, participation in the options market may be discouraged. The Exchange believes that position limits must therefore be balanced between mitigating concerns of any potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

3 See Securities Exchange Act Release No. 34-88768 (April 29, 2020), 85 FR 26736 (May 5, 2020) (Order Granting Accelerated Approval of SR-BOX-2020-015 [sic] as Modified by Amendment No. 1).

According to Cboe, market participants have increased their demand for options on SPY, EFA, FXI, HYG, and XLF (collectively, the "Underlying ETFs") for both trading and hedging purposes.[4] Cboe noted that although the demand for these options appears to have increased, position limits for options on the Underlying ETFs have remained the same. The Exchange believes these unchanged position limits may have impeded, and may continue to impede, trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market-Makers to make liquid markets with tighter spreads in these options resulting in the transfer of volume to over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publically disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. Therefore, the Exchange believes that the proposed increases in position limits for options on the Underlying ETFs may enable liquidity providers to provide additional liquidity to the Exchange and other market participants to transfer their liquidity demands from OTC markets to the Exchange, as well as other options exchange on which they participate. As described in further detail below, the Exchange believes that the continuously increasing market capitalization of the Underlying ETFs and ETF component securities, as well as the highly liquid markets for those securities, reduces the concerns for potential market manipulation and/or disruption in the underlying markets upon increasing position limits, while the rising demand for trading options on the Underlying ETFs for legitimate economic purposes compels an increase in position limits.

Proposed Position Limits for Options on the Underlying ETFs

[4] Id.

Position limits for options on ETFs are determined pursuant to Rule 3120, and vary according to the number of outstanding shares and the trading volumes of the underlying stocks or ETFs over the past six months. Pursuant to Exchange Rule 3120, the largest in capitalization and the most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market. Options on HYG and XLF are currently subject to the standard position limit of 250,000 contracts as set forth in Exchange Rule 3120. Rule IM-3120-2 sets forth separate position limits for options on specific ETFs, including SPY, FXI, and EFA. In addition, BOX Rule 3140 and IM-3140-1 (which are not being amended by this filing), establish exercise limits for the aforementioned ETFs.

The Exchange proposes to amend Rule IM-3120-2 to double the position limits and, as a result, exercise limits, for options on each of HYG, XLF, FXI, EFA and SPY. By virtue of IM-3140-1, the exercise limits for EFA, FXI, HYG, XLF, and SPY would similarly increase. The table below represents the current, and proposed, position limits for options on the ETFs subject to this proposal:

ETF	**Current Position Limit**	**Proposed Position Limit**
SPY	1,800,000	3,600,000
EFA	500,000	1,000,000
FXI	500,000	1,000,000
HYG	250,000	500,000
XLF	250,000	500,000

The Exchange notes that the proposed position limits for options on EFA and FXI are consistent with existing position limits for options on the iShares Russell 2000 ETF ("IWM") and the iShares MSCI Emerging Markets ETF ("EEM"), while the proposed limits for options on XLF and HYG are consistent with current position limits for options on the iShares MSCI Brazil Capped ETF ("EWZ"), iShares 20+ Year Treasury Bond Fund ETF ("TLT"), and iShares MSCI Japan ETF ("EWJ"). The Exchange represents that the Underlying ETFs qualify for either 1) the initial listing criteria set forth in Exchange Rule 5020(h)(2) for ETFs holding non-U.S. component securities, or 2) generic listing standards for series of portfolio depository receipts and index fund shares based on international or global indexes under which a comprehensive surveillance agreement ("CSA") is not required, as well as the continued listing criteria in Rule 5030.[5] In compliance with its listing rules, the Exchange also represents that non-U.S. component securities that are not subject to a CSA do not, in the aggregate, represent more than 50% of the weight of any of the Underlying ETFs.[6]

Cboe's Composition and Growth Analysis for Underlying ETFs

As stated above, position (and exercise) limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate the underlying market so as to benefit options positions. The Securities and Exchange Commission (the "Commission") has recognized that these limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market, as well as serve to reduce

5 The Exchange notes that the initial listing criteria for options on ETFs that hold non-U.S. component securities are more stringent than the maintenance listing criteria for those same ETF options. See Rule 5020(h)(2); Rule 5030(h).

6 See Rule 5020(h)(2)(ii)(A).

the possibility for disruption of the options market itself, especially in illiquid classes.[7] The Underlying ETFs as well as the ETF components are highly liquid, and are based on a broad set of highly liquid securities and other reference assets, as demonstrated by the trading statistics collected by Cboe.[8] The Commission recognized the liquidity of the securities comprising the underlying interest of SPY and permitted no position limits on SPY options from 2012 through 2018.[9]

To support its proposed position limit increases, Cboe conducted an analysis in support of its proposal. BOX agrees with Cboe's trading statistics and analysis. In support of its proposal, Cboe considered both liquidity of the Underlying ETFs and the component securities of the Underlying ETFs, as well as the availability of economically equivalent products to the overlying options and their respective position limits. For instance, some of the Underlying ETFs are based upon broad-based indices that underlie cash-settled options, and therefore the options on the Underlying ETFs are economically equivalent to the options on those indices, which have no position limits. Other Underlying ETFs are based upon broad-based indices that underlie cash-settled options with position limits reflecting notional values that are larger than current position limits for options on the ETFs based on the same indices. For indexes that are tracked by an Underlying ETF but on which there are no options listed, the Exchange believes, based on the

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7 See Securities Exchange Act Release No. 67672 (August 15, 2012), 77 FR 50750 (August 22, 2012)(SR-NYSEAmex-2012-29).

8 See supra note 3.

9 See Securities Exchange Act Release Nos. 67936 (September 27, 2012), 77 FR 60491 (October 3, 2012)(SR-BOX-2012-013), which implemented a pilot program that ran through 2017, during which there were no position limits for options on SPY. The Exchange notes that throughout the duration of the pilot program it was not aware of any problems created or adverse consequences as a result of the pilot program. See also Securities Exchange Act Release No. 34-83414 (June 12, 2018), 83 FR 28296 (June 18, 2018) (SR-BOX-2018-22).

liquidity, depth and breadth of the underlying market of the components of the indexes, that each of the indexes referenced by the applicable ETFs would be considered a broad-based index under the Exchange's Rules. Additionally, if in some cases certain position limits are appropriate for the options overlying comparable indexes or basket of securities that the Underlying ETFs track, then those economically equivalent position limits should be appropriate for the options overlying the Underlying ETFs.

The Exchange notes, the following trading statistics have been collected by Cboe[10], regarding shares of and options on the Underlying ETFs, as well as the component securities:

Product	**ADV[11] (ETF shares)**	**ADV (option contracts)**	**Shares Outstanding (ETFs)[12]**	**Fund Market Cap (USD)**	**Total Market Cap of ETF Components[13]**
SPY	70.3 million	2.8 million	968.7 million	312.9 billion	29.3 trillion
FXI	26.1 million	196,600	106.8 million	4.8 billion	28.0 trillion
EFA	25.1 million	155,900	928.2 million	64.9 billion	19.3 trillion
HYG	20.0 million	193,700	216.6 million	19.1 billion	906.4 billion[14]
XLF	48.8 million	102,100	793.6 million	24.6 billion	3.8 trillion

10 See Securities Exchange Act Release No. 34-88350 (March 10, 2020), 85 FR 15003 (March 16, 2020) (SR-CBOE-2020-015).

11 Cboe's Average daily volume (ADV) data for ETF shares and options contracts are for all of 2019. Additionally, reference to ADV in ETF shares, and ETF options herein this proposal are for all of 2019, unless otherwise indicated.

12 Shares Outstanding and Fund Market Capitalization Data in the tables presented herein this filing were sourced from Bloomberg and the Cboe's internal data on January 2, 2020.

13 Total Market Capitalization of the ETF Components presented in the tables herein this filing were sourced from Bloomberg on January 3, 2020, as well as directly from the issuers' websites.

14 Total Market Capitalization of HYG was sourced from IHS Markit, which sends daily constituent information to Cboe.

In addition, Cboe also collected the same trading statistics, where applicable, as above regarding a sample of other ETFs, as well as the current position limits for options on such ETFs, in order to draw comparisons in support of their proposed position limit increases for options on a number of Underlying ETFs (see further discussion below):

Product	**ADV (ETF shares**	**ADV (option contracts)**	**Shares Outstanding (EFTs)**	**Fund Market Cap (USD)**	**Total Market Cap of ETF Components**	**Current Position Limits**
QQQ	30.2 million	670,200	410.3 million	88.7 billion	10.1 trillion	1,800,000
EWZ	26.7 million	186,500	233 million	11.3 billion	234.6 billion	500,000
TLT	9.6 million	95,200	128.1 million	17.5 billion	N/A	500,000
EWJ	7.2 million	5,700	236.6 million	14.2 billion	3 trillion	500,000

The following analysis, which BOX agrees with, was conducted by Cboe in support of its proposal. Cboe noted that, overall, the liquidity in the shares of the Underlying ETFs and in the component securities of the Underlying ETFs, and in their overlying options, as well as the large market capitalizations and structure of each of the Underlying ETFs, support the proposal to increase the position limits for each option class. Given the robust liquidity and capitalization in the Underlying ETFs and in the component securities of the Underlying ETFs, the Exchange does not anticipate that the proposed increase in position limits would create significant price movements. Also, the Exchange believes the market capitalization of the underlying component securities of the applicable index or reference asset are large enough to adequately absorb potential price movements that may be caused by large trades.

Specifically, the Exchange notes that SPY tracks the performance of the S&P 500 Index, which is an index of diversified large cap U.S. companies.[15] It is composed of 505 selected stocks spanning over approximately 24 separate industry groups. The S&P 500 is one of the most commonly followed equity indices, and is widely considered to be the best indicator of stock market performance as a whole. SPY is one of the most actively traded ETFs. In support of its proposal to increase position limits for SPY to 3,600,000 contracts, Cboe compared SPY's ADV from 2017 to the end of 2019, and found that SPY's ADV has increased from approximately 64.6 million shares to 70.3 million shares.[16] Similarly, Cboe noted SPY's ADV in options contracts has increased from 2.6 million to 2.8 million through 2019.[17] Cboe's data shows the demand for options trading on SPY has continued to increase; however, the position limits have remained the same, which the Exchange believes may have impacted growth in SPY option volume from 2017 through 2019. In addition, Cboe notes that SPY shares are more liquid than PowerShares QQQ Trust ("QQQ") shares, which is also currently subject to a position limit of 1,800,000 contracts.[18] Specifically, according to Cboe's statistical comparison, SPY currently

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15 See SPDR S&P 500 ETF Trust, available at: https://www.ssga.com/us/en/individual/etfs/funds/spdr-sp-500-etf-trust-spy (January 21, 2020).

16 See supra note 3.

17 See Securities Exchange Act Release No. 83415 (June 12, 2018), 83 FR 28274 (June 18, 2018) (SR-CBOE-2018-042); and 34-83414 (June 12, 2018), 83 FR 28296 (June 18, 2020) (SR-BOX-2018-22).

18 The Exchange notes that it also updates the PowerShares QQQ Trust symbol in IM-3120-2 from QQQQ to QQQ as this accurately reflects the current ticker symbol for PowerShares QQQ, which was officially changed from QQQQ to QQQ by Invesco PowerShares Capital Management LLC in 2011. See Morningstar, PowerShares Changes Ticker Symbol of Tech-Heavy QQQ ETF, available at morningstar.com/articles/374713/powershares-changes-tickersymbol-of-tech-heavy-qqq-etf (March 23, 2011).

experiences over twice the ADV in shares and over four times the ADV in options than that of QQQ.[19]

EFA tracks the performance of MSCI EAFE Index ("MXEA"), which is comprised of over 900 large and mid-cap securities across 21 developed markets, including countries in Europe, Australia and the Far East, excluding the U.S. and Canada.[20] In support of its proposal to increase the position limit for EFA, Cboe's proposal specifies, that from 2017 through 2019, ADV has grown significantly in shares of EFA and in options on EFA, from approximately 19.4 million shares in 2017 to 25.1 million through 2019, and from approximately 98,800 options contract in 2017 to 155,900 through 2019. Further, Cboe compared the notional value of EFA's share price of $69.44 and MXEA's index level of 2036.94, approximately 29 EFA option contracts equal one MXEA option contract. Based on the above comparison of notional values, Cboe concluded that a position limit for EFA options would be economically equivalent to that of MXEA options which equates to 725,000 contracts (previously) and 1,450,000 for Cboe's current 50,000 contract position limit for MXEA options.[21] Cboe also noted that MXEA index options have an ADV of 594 options contracts, which equate to an ADV of 17,226 EFA option contracts (as that is 29 times the size of 594). The Exchange believes the significantly higher actual ADV (155,900 contracts), economically equivalent ADV (17,226 contracts), notional value, and economically equivalent position limits for EFA as compared to MXEA options, supports an increase in position limits for EFA options from 500,000 contracts to 1,000,000 contracts.

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19 The 2019 ADV for QQQ shares is 30.2 million and for options on QQQ is 670,200.

20 See iShares MSCI EAFE ETF, available at https://www.ishares.com/us/products/239623/ishares-msci-eafe-etf (February 10, 2020).

21 The Exchange notes that BOX does not list options on foreign indexes.

FXI tracks the performance of the FTSE China 50 Index, which is composed of the 50 largest Chinese stocks.[22] According to Cboe, FXI shares and options have also experienced increased liquidity since 2017, as ADV has grown from approximately 15.1 million shares in 2017 to 26.1 million through 2019, as well as approximately 71,900 options contracts in 2017 to 196,600 through 2019. Cboe notes that although there are currently no options on the FTSE China 50 Index listed for trading, the components of the FTSE China 50 Index, which can be used to create a basket of stocks that equate to the FXI ETF, currently have a market capitalization of approximately $28 trillion and FXI has a market capitalization of $4.8 billion (as indicated above), which the Exchange believes are both large enough to absorb potential price movements caused by a large trade in FXI.

XLF invests in a wide array of financial service firms with diversified business lines ranging from investment management to commercial and investment banking. It generally corresponds to the price and yield performance of publicly traded equity securities of companies in the SPDR Financial Select Sector Index.[23] In support of its proposal, Cboe compared XLF's ADV in shares and in options to the ADV in shares and options for EWZ (26.7 million shares and 186,500 options contracts), TLT (9.6 million shares and 95,200 options contracts), and EWJ (7.2 million shares and 5,700 options contracts). According to Cboe, XLF experiences significantly greater ADV in shares and options than EWZ, TLT, and EWJ, which already have a position limit of 500,000 contracts – the proposed position limit for XLF options. According to Cboe, although there are no options listed on the SPDR Financial Select Sector Index listed for

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22 See iShares China Large-Cap ETF, available at https://www.ishares.com/us/products/239536/ishares-china-largecap-etf (February 10, 2020).

23 See Select Sector SPDR ETFs, XLF, available at http://www.sectorspdr.com/sectorspdr/sector/xlf (January 15, 2020).

trading, the components of the index, which can be used to create a basket of stocks that equate to the XLF ETF, currently have a market capitalization of $3.8 trillion (indicated above). Additionally, XLF has a market capitalization of $24.6 billion. The Exchange believes that both of these are large enough to absorb potential price movements caused by a large trade in XLF.

Finally, HYG attempts to track the investment results of Markit iBoxx USD Liquid High Yield Index, which is composed of U.S. dollar-denominated, high-yield corporate bonds and is one of the most widely used high-yield bond ETFs.[24] To support its proposed position limit increase on HYG, Cboe compared the HYG's ADV in share and options to that of both TLT (9.6 million shares and 95,200 options contracts), and EWJ (7.2 million shares and 5,700 options contracts). BOX agrees with Cboe's comparison and following analysis. Cboe found that HYG experiences significantly higher ADV in shares and options than both TLT and EWJ, which are currently subject to a position limit of 500,000 options contracts – the proposed limit for options on HYG. According to Cboe, while HYG does not have an index option analogue listed for trading, Cboe believes that its market capitalization of $19.1 billion, and of $906.4 billion in component securities, is adequate to absorb a potential price movement that may be caused by large trades in HYG.

Creation and Redemption for ETFs

The Exchange believes that the creation and redemption process for ETFs will lessen the potential for manipulative activity with options on the Underlying ETFs. When an ETF provider wants to create more shares, it looks to an Authorized Participant (generally a market maker or other large financial institution) to acquire the securities the ETF is to hold. For instance, when

24 See iShares iBoxx $ High Yield Corporate Bond ETF, available at https://www.ishares.com/us/products/239565/ishares-iboxx-high-yield-corporatebond-etf (January 15, 2020).

an ETF is designed to track the performance of an index, the Authorized Participant can purchase all the constituent securities in the exact same weight as the index, then deliver those shares to the ETF provider. In exchange, the ETF provider gives the Authorized Participant a block of equally valued ETF shares, on a one-for-one fair value basis. The price is based on the net asset value, not the market value at which the ETF is trading. The creation of new ETF units can be conducted during an entire trading day, and is not subject to position limits. This process works in reverse where the ETF provider seeks to decrease the number of shares that are available to trade. The creation and redemption process, therefore, creates a direct link to the underlying components of the ETF, and serves to mitigate potential price impact of the ETF shares that might otherwise result from increased position limits for the ETF options.

The Exchange understands that the ETF creation and redemption process seeks to keep an ETF's share price trading in line with the ETF's underlying net asset value. Because an ETF trades like a stock, its share price will fluctuate during the trading day, due to simple supply and demand. If demand to buy an ETF is high, for instance, the ETF's share price might rise above the value of its underlying securities. When this happens, the Authorized Participant believes the ETF may now be overpriced, so it may buy shares of the component securities and then sell ETF shares in the open market (i.e. creations). This may drive the ETF's share price back toward the underlying net asset value. Likewise, if the ETF share price starts trading at a discount to the securities it holds, the Authorized Participant can buy shares of the ETF and redeem them for the underlying securities (i.e. redemptions). Buying undervalued ETF shares may drive the share price of the ETF back toward fair value. This arbitrage process helps to keep an ETF's share price in line with the value of its underlying portfolio.

Surveillance and Reporting Requirements

The Exchange believes that increasing the position limits for the options on the Underlying ETFs would lead to a more liquid and competitive market environment for these options, which will benefit customers interested in trading these products. The reporting requirement for the options on the Underlying ETFs would remain unchanged. Thus, the Exchange would still require that each BOX Participant that maintains positions in the options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information would include, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Exchange Market-Makers[25] are exempt from this reporting requirement, because Market Maker information can be accessed through the Exchange's market surveillance systems.[26] In addition, the general reporting requirement for customer accounts that maintain an aggregate long or short position of 200 or more options contracts of any single class of options traded on BOX would remain at this level for the options subject to this proposal, and continue to serve as an important part of the Exchange's surveillance efforts.[27]

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange and other SROs are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate

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25 A Market Maker "is an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in the Rule 8000 Series. All Market Makers are designated as specialists on the Exchange for all purposes under the Exchange Act or Rules thereunder." See BOX Rule 100(a)(31).

26 The Exchange notes that the Financial Industry Regulatory Authority ("FINRA"), pursuant to a regulatory services agreement, operates surveillance on behalf of BOX. This type of Market Maker information can be found through FINRA.

27 See BOX Rule 3150 for reporting requirements.

surveillances in place to detect potential manipulation, as well as reviews in place to identify potential changes in composition of the Underlying ETFs, and continued compliance with the Exchange's listing standards. These procedures utilize daily monitoring of market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable.[28] The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,[29] which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes.

The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on the Underlying ETFs. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a BOX Participant must maintain for a large position held by itself or by its customer.[30] In addition, Rule 15c3-1[31] imposes a capital charge on BOX Participants to the extent of any margin deficiency resulting from the higher margin requirement.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,[32] in general, and Section 6(b)(5) of the Act,[33] in particular, in that it is designed

28 These procedures have been effective for the surveillance of trading the options subject to this proposal and will continue to be employed by FINRA on behalf of BOX.

29 17 CFR 240.13d-1.

30 See BOX Rule 10100 Series for a description of margin requirements.

31 17 CFR 240.15c3-1.

32 15 U.S.C. 78f(b).

33 15 U.S.C. 78f(b)(5).

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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[34] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed increase in position limits for options on the Underlying ETFs will remove impediments to and perfect the mechanism of a free and open market and national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. The proposed increases will allow market participants to more fully implement hedging strategies in related derivative products and to further use options to achieve investment strategies (e.g., there are Exchange-Traded Products ("ETPs") that use options on the Underlying ETFs as part of their investment strategy, and the applicable position limits as they stand today may inhibit these ETPs in achieving their investment objectives, to the detriment of investors). Also, increasing the applicable position limits may allow Market-Makers to provide the markets for these options with more liquidity in amounts commensurate with increased consumer demand in such markets. The proposed position limit increases may also encourage other liquidity providers to shift liquidity, as well as encourage consumers to shift demand, from over the counter markets onto the Exchange, which will enhance the process of price discovery conducted on the Exchange through increased order flow.

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34 Id.

In addition, the Exchange believes that the structure of the Underlying ETFs, the considerable market capitalization of the funds, underlying component securities, and the liquidity of the markets for the applicable options and underlying component securities will mitigate concerns regarding potential manipulation of the products and/or disruption of the underlying markets upon increasing the relevant position limits. As a general principle, increases in market capitalizations, active trading volume, and deep liquidity of securities do not lead to manipulation and/or disruption. This general principle applies to the recently observed increased levels of market capitalization, trading volume, and liquidity in shares of the Underlying ETFs, and the components of the Underlying ETFs (as described above), the Exchange does not believe that the options markets or underlying markets would become susceptible to manipulation and/or disruption as a result of the proposed position limit increases. Indeed, the Commission has previously expressed the belief that removing position and exercise limits may bring additional depth and liquidity to the options markets without increasing concerns regarding intermarket manipulation or disruption of the options or the underlying securities.[35] More specifically, the Commission recently approved Cboe's proposal to increase the position limits for the Underlying ETFs in this filing.[36]

Further, the Exchange notes that the proposed rule change to increase position limits for select actively traded options, is not novel and has been previously approved by the Commission. For example, the Commission has previously approved, on a pilot basis, eliminating position limits for options on SPY.[37] Additionally, the Commission has approved similar proposed rule

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35 See Securities Exchange Act Release No. 62147 (October 28, 2005) (SR-CBOE-2005-41), at 62149.

36 See supra note 3.

37 See supra notes 9 and 10.

changes by the Exchange to increase position limits for options on highly liquid, actively-traded ETFs.[38] In approving the permanent elimination of position (and exercise limits) for such options, the Commission relied heavily upon Cboe's surveillance capabilities, expressing trust in the enhanced surveillances and reporting safeguards that Cboe took in order to detect and deter possible manipulative behavior which might arise from eliminating position and exercise limits.[39] Furthermore, as described more fully above, the proposed position limits for options on EFA and FXI are consistent with existing position limits for options on IWM and EEM, and the proposed limits for options on XLF and HYG are consistent with current position limits for options on EWZ, TLT, and EWJ.

The Exchange believes that BOX's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. Lastly, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged position in the options on the Underlying ETFs, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket

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38 See supra note 3; see also Securities Exchange Act Release No. 68086 (October 23, 2012), 77 FR 65600 (October 29, 2012) (SR-CBOE-2012-066); and 34-68478 (December 19, 2012), 77 FR 76132 (December 26, 2012) (SR-BOX-2012-023).

39 See Securities Exchange Act Release Nos. 52650 (October 21, 2005), 70 FR 62147, at 62149 (October 28, 2005) (SR-CBOE-2005-41).

competition that is not necessary or appropriate in furtherance of the purposes of the Act because the increased position limits (and exercise limits) will be available to all market participants and apply to each in the same manner. The Exchange believes that the proposed rule change will provide additional opportunities for market participants to more efficiently achieve their investment and trading objectives.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the Act. On the contrary, the Exchange believes the proposal promotes competition because it may attract additional order flow from the OTC market to exchanges, which would in turn compete amongst each other for those orders. The Exchange believes market participants would benefit from being able to trade options with increased position limits in an exchange environment in several ways, including but not limited to the following: (1) enhanced efficiency in initiating and closing out position; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor. Further, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by Cboe that was recently approved by the Commission.[40]

As such, 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.

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.

40 See supra, note 3.

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

Because the foregoing 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act[41] and Rule 19b-4(f)(6) thereunder.[42]

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[43] normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)[44] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange states that waiver of the operative delay would be consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to immediately increase the position limits for the products subject to this proposal, which the Exchange believes will provide consistency for BOX Participants that are also members at CBOE where these increased position limits are currently in place. For this reason, the Commission believes that waiver of the 30-day operative delay is

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41 15 U.S.C. 78s(b)(3)(A).

42 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission 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 satisfied this requirement.

43 17 CFR 240.19b-4(f)(6).

44 17 CFR 240.19b-4(f)(6)(iii).

consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.[45]

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 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 Number SR-BOX-2020-13 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-2020-13. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

[45] For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2020-13, 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.[46]

J. Matthew DeLesDernier
Assistant Secretary

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[46] 17 CFR 200.30-3(a)(12).