SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-89622; File No. SR-BOX-2020-34)

August 20, 2020

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule on the BOX Options Market LLC Facility to Amend the Liquidity Fees and Credits for SPY PIP and COPIP Transactions

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 August 12, 2020, BOX Exchange LLC ("Exchange") filed with the Securities and Exchange Commission ("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 on the BOX Options Market LLC ("BOX") facility. 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.

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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).

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 amend the Fee Schedule for trading on BOX to amend Section III., Liquidity Fees and Credits. Specifically, the Exchange proposes to amend the liquidity fees and credits for SPY PIP and COPIP transactions. Currently, a Public Customer SPY PIP or COPIP Order receives a $0.45 "removal" credit while the corresponding Primary Improvement Order and any Improvement Order are charged a $0.45 "add" fee. Further, under the current BOX Fee Schedule, when Non-Public Customer SPY PIP or COPIP orders do not trade with its Primary Improvement Order, the Primary Improvement Order receives a $0.45 "removal" credit and any corresponding Improvement Order responses are charged a $0.45 "add" fee.

The Exchange now proposes to no longer assess liquidity fees and credits for SPY PIP and COPIP transactions as described above, and instead proposes to establish that SPY PIP and COPIP Order submitted to the PIP and COPIP mechanisms that do not trade with their Primary Improvement Order shall receive a "removal" credit of $0.45, while Improvement Orders to the SPY PIP and COPIP Orders executed in these mechanisms shall be charged the "add" fee of

$0.45. The Exchange notes that a similar fee and credit structure is in place for liquidity fees and credits for Facilitation and Solicitation transactions on BOX.[5]

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,[6] 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 Exchange believes the proposed change to establish new SPY PIP and COPIP liquidity fees and credits is reasonable, equitable, and not unfairly discriminatory because pricing by symbol is a common practice on many U.S. options exchanges as a means to incentivize order flow to be sent to an exchange for execution in the most actively traded options classes.[7]

The Exchange believes that the proposed changes to Section III of the BOX Fee Schedule are reasonable, equitable and not unfairly discriminatory. In particular, the Exchange believes the proposed change is reasonable as a similar "removal" credit and "add" fee structure is in place

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5 See BOX Fee Schedule Section III.B. Agency Orders submitted to the Facilitation and Solicitation mechanisms that do not trade with their contra order shall receive the "removal" credit. Responses to Facilitation and Solicitation Orders executed in these mechanisms shall be charged the "add" fee.

6 15 U.S.C. 78f(b)(4) and (5).

7 The Exchange is proposing that SPY PIP and COPIP Order submitted to the PIP and COPIP mechanisms that do not trade with their Primary Improvement Order shall receive a "removal" credit of $0.45, while responses to the SPY PIP and COPIP Orders executed in these mechanisms shall be charged the "add" fee of $0.45. Further, the Exchange notes that SPY Primary Improvement Orders will no longer be assessed the $0.45 "add" fee. The Exchange believes that the proposed changes will result in increased SPY order flow to BOX's PIP and COPIP auction mechanisms.

for liquidity fees and credits for Facilitation and Solicitation transactions.[8] The Exchange believes that mirroring the structure in place for liquidity fees and credits for Facilitation and Solicitation transactions is reasonable as the Exchange believes that the proposed change will incentivize Participants to submit SPY order flow through the PIP and COPIP auction mechanisms thereby benefitting all market participants through promoting market depth, facilitating tighter spreads and enhancing price discovery. Further, the Exchange believes that the proposed change is equitable and not unfairly discriminatory as the change applies to all Participants, regardless of account type.

Under this proposal, Public Customer SPY PIP and COPIP Primary Improvement Orders will no longer be assessed the $0.45 "add" fee; however, responses to the SPY PIP and COPIP Orders will continue to be charged the $0.45 "add" fee. The Exchange believes it is reasonable, equitable and not unfairly discriminatory to charge higher exchange fees for responders in the PIP and COPIP mechanisms than for initiators of these orders and the contra orders. The Exchange believes it is reasonable when compared to a similar practice for Facilitation and Solicitation fees at a competing venue.[9] For example, at Nasdaq ISE the fee for both the initiating and contra order for PIM Orders is $0.10 for Select Symbols for all account types except Priority Customers who are charged no fees. Responses to these orders are charged $0.50 for Select Symbols regardless of account type. The Exchange notes that a differential of fees between initiators and responders currently exists in the Facilitation and Solicitation auction mechanisms on BOX. Further, the Exchange continues to believe that the proposed differential is reasonable because responders to PIP and COPIP Orders are willing to pay a higher fee for

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8 See supra note 5.

9 See Nasdaq ISE LLC ("Nasdaq ISE") Pricing Schedule Section 3. (Regular Order Fees and Rebates).

liquidity discovery. Responders to PIP and COPIP Orders are given the opportunity to interact with customer order flow which, in turn, allows for the opportunity for increased executions on the Exchange thus benefitting all market participants. The Exchange also believes it is reasonable and appropriate to charge initiators of PIP and COPIP Orders less than responders because initiators bring liquidity to the Exchange which, in turn, results in increased opportunity for more executions on BOX. As such, the Exchange believes the differential is reasonable and appropriate.

Currently, if a non-Public Customer PIP or COPIP Order does not trade with its Primary Improvement Order, the Primary Improvement Order receives the $0.45 "removal" credit and any corresponding Improvement Order responses are charged the $0.45 "add" fee. Now, under this proposal, all SPY PIP and COPIP Orders submitted to the PIP and COPIP mechanisms that do not trade with their Primary Improvement Order shall receive a "removal" credit of $0.45. Improvements Orders submitted to the SPY PIP and COPIP Orders executed in these mechanisms will continue to be charged the "add" fee of $0.45. The Exchange believes this is reasonable and competitive when compared to similar fees and credits for SPY transactions at a competing venue.[10] Further, as discussed herein, the Exchange believes the proposed change will incentivize Participants to submit SPY order flow through the PIP and COPIP auction mechanisms thus increasing liquidity on the Exchange and increasing the opportunity for executions thus benefitting all market participants.

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10 See Phlx Pricing Schedule, Section 3, Part A. The Exchange notes that Phlx offers rebates ranging from $0.12 to $0.32 to Lead Market Makers and Market Makers for adding liquidity in SPY. Further, Phlx assesses a $0.48 fee for Market Makers, Broker Dealers and Professionals and a $0.42 fee for Public Customers for removing liquidity in SPY.

The Exchange believes that the proposed changes to Section III are equitable and not unfairly discriminatory in that the fees and credits apply to all categories of Participants and across all account types. The Exchange notes that liquidity fees and credits on BOX are meant to offset one another in any particular transaction. The liquidity fees and credits do not directly result in revenue to BOX, but simply allows BOX to provide incentives to Participants to attract order flow. The Exchange believes it is equitable and not unfairly discriminatory to charge lower exchange fees for initiators in the PIP and COPIP mechanisms than for responders because initiators bring liquidity to the Exchange which, in turn, allows responders to interact with customer orders thus increasing the opportunity for more executions on BOX. The Exchange believes that structuring the proposed fees and credits will incentivize initiators to bring order flow to the Exchange thus benefitting all market participants. Further, the Exchange believes it is equitable and not unfairly discriminatory to charge higher exchange fees for responders in the PIP and COPIP mechanisms than for initiators because, as discussed herein, responders to PIP and COPIP Orders are willing to pay a higher fee for liquidity discovery and, in turn, are given the opportunity to interact with customer order flow on BOX.

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.

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 does not believe that the proposed liquidity fees and credits will burden competition by creating such a disparity between the fees an initiating Participant in the PIP and COPIP auction pays and the fees a competitive responder pays that would result in certain Participants being unable to compete with initiators. In fact, the Exchange believes that these changes will not impair these Participants from adding liquidity and competing in PIP and COPIP auction transactions and will help promote competition by providing incentives for market participants to submit customer order flow to BOX and thus, create a greater opportunity for customers to receive additional price improvement.

Further, the Exchange believes that the proposed liquidity fees and credits for SPY PIP and COPIP transactions will not impose a burden on competition. Rather, BOX believes that the changes will result in Participants being charged or credited appropriately for their PIP and COPIP transactions and is designed to enhance competition in auction transactions on BOX. Submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange. The Exchange also believes that the proposed change will not impose an undue burden on intermarket competition as the proposed change will allow BOX to better compete for SPY order flow. Further, as stated above the fees and credits proposed are in line with the facilitation and solicitation fees and credits currently on BOX.

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 Act[11] and Rule 19b-4(f)(2) thereunder,[12] 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 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-2020-34 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-2020-34. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

11 15 U.S.C. 78s(b)(3)(A)(ii).

12 17 CFR 240.19b-4(f)(2).

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. 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-2020-34, 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.[13]

J. Matthew DeLesDernier
Assistant Secretary

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[13] 17 CFR 200.30-3(a)(12).