

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-90698; File No. SR-BOX-2020-39)

December 17, 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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 15, 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,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

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

<sup>4</sup> 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

To prevent the potential spread of coronavirus (COVID-19), BOX Exchange LLC (BOX) temporarily closed the Trading Floor in Chicago after the close of business on Thursday, December 10, 2020 but reopened on Monday, December 14, 2020 after existing BOX COVID-19 policies and procedures were executed. As a result of this and the uncertainty surrounding COVID-19, the Exchange proposes to amend the Fee Schedule for trading on BOX to govern certain pricing changes that will be in effect while the BOX Trading Floor is inoperable.

Facilitation and Solicitation Transaction Fees

First, the Exchange proposes to amend Section I.C. (Facilitation and Solicitation Transactions<sup>5</sup>) to establish a fee structure for Facilitation and Solicitation Transactions in lieu of the current fees for Facilitation and Solicitation Transactions while the BOX Trading Floor is inoperable. Further, the Exchange proposes that the Facilitation and Solicitation Transaction Rebate identified in Section I.C.1 will not apply when the BOX Trading Floor is inoperable.

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<sup>5</sup> Transactions executed through the Solicitation Auction mechanism and Facilitation Auction mechanism.

With the Trading Floor inoperable, Floor Participants will no longer be allowed to enter Qualified Open Outcry Orders (“QOO”) Orders on BOX. Instead these Participants must enter analogous types of electronic orders on BOX, which are most similar to orders executed through the Facilitation and Solicitation auction mechanism. Because of this, the Exchange proposes to mimic the current structure for Facilitation and Solicitation Transactions; however the Exchange proposes to make a few minor changes to the fees assessed for these transactions when the Trading Floor is inoperable. Specifically, the Exchange proposes to assess no fees for Agency Orders submitted to the Facilitation and Solicitation mechanisms for all Participants, regardless of account type.<sup>6</sup> Second, the Exchange proposes to assess no fees for Facilitation and Solicitation Orders<sup>7</sup> in Penny and Non-Penny Interval Classes. BOX also proposes to assess a \$0.50 fee for Responses in the Facilitation or Solicitation Auction Mechanisms in Penny Interval Classes and \$1.15 for Responses in the Facilitation and Solicitation mechanisms in Non-Penny Interval Classes.<sup>8</sup> The Exchange believes the proposed fee structure will incentivize Participants

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<sup>6</sup> The Exchange notes that no fees are currently assessed for Agency Orders for any account type.

<sup>7</sup> Facilitation and Solicitation Orders are the matching contra orders submitted on the opposite side of the Agency Order.

<sup>8</sup> The Exchange notes that the total fees for Responses in the Facilitation and Solicitation auction mechanisms are not changing. Currently, Participants are assessed a \$0.25 fee for Responses in the Facilitation and Solicitation mechanisms for Penny Interval Classes and an additional \$0.25 liquidity fee in Section III.B totaling \$0.50 for their order. For Non-Penny Pilot Classes, Participants are assessed a \$0.40 fee for Responses in the Facilitation and Solicitation mechanisms and an additional \$0.75 liquidity fee in Section III.B totaling \$1.15 for their order. As discussed herein, the Exchange proposes to eliminate Liquidity Fees and Credits for Facilitation and Solicitation transactions when the Trading Floor is inoperable. As such, the current liquidity fees are included in the proposed Response fees for the Facilitation and Solicitation mechanisms.

who would normally execute orders on the BOX Trading Floor to instead submit orders to the Exchange's Facilitation and Solicitation auction mechanisms.<sup>9</sup>

### Liquidity Fees and Credits

The Exchange proposes to add text to Section III.B. (Liquidity Fees and Credits for Facilitation and Solicitation Transactions). Specifically, the Exchange proposes to add text which states that Participants will not be assessed Liquidity Fees and Credits for Facilitation and Solicitation Transactions when the BOX Trading Floor is inoperable.

### 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,<sup>10</sup> 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 are due to the closing of the BOX Trading Floor as of December 11, 2020. The Exchange believes the proposed changes discussed herein will incentivize Participants to direct order flow that would have otherwise been executed on the BOX Trading Floor, to be executed through the Exchange's Facilitation and Solicitation

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<sup>9</sup> The Exchange notes that the QOO Orders are paired orders on the BOX Trading Floor similar to Facilitation and Solicitation orders submitted electronically through the Facilitation and Solicitation auction mechanism. The Exchange believes that the reduced Facilitation and Solicitation Order fees will incentivize Floor Participants (who are also electronic Participants on BOX) to execute orders electronically instead of directing this order flow to another exchange.

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

auction mechanisms while the Trading Floor is inoperable.<sup>11</sup> The Exchange notes that a substantially similar proposal was effective upon filing in April 2020.<sup>12</sup>

#### Facilitation and Solicitation Transaction Fees

The Exchange believes that the proposed fee structure for Facilitation and Solicitation Transactions while the Trading Floor is inoperable is reasonable, equitable and not unfairly discriminatory. The Exchange notes that assessing no Agency Order fees is in line with the Exchange's current fee structure for Facilitation and Solicitation Transactions. Further, the Exchange believes that assessing no fees for Facilitation and Solicitation Orders in the Facilitation and Solicitation auction mechanism is reasonable.<sup>13</sup> As discussed above, the Exchange believes that assessing no fees for Facilitation and Solicitation Orders will attract order flow to these mechanisms that would have otherwise been executed on the BOX Trading Floor. The Exchange believes the proposed change will incentivize Participants to direct their orders to the Exchange's mechanisms (instead of directing these orders that would have normally executed

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<sup>11</sup> The Exchange notes that the QOO Orders are paired orders on the BOX Trading Floor similar to Facilitation and Solicitation orders submitted electronically through the Facilitation and Solicitation auction mechanism. Under this proposal, Floor Participants (who are also electronic Participants on BOX) will be able to execute orders electronically despite the Trading Floor being closed.

<sup>12</sup> See Securities Exchange Act Release No. 88559 (April 3, 2020), 85 FR 19968 (April 9, 2020)(SR-BOX-2020-08). The Exchange notes that the proposal discussed herein differs slightly from the proposal approved in April 2020. Here, the Exchange does not intend to waive the Participant Fees (detailed in Section IX) while the Trading Floor is inoperable. The waiver of the Floor Participant Fees in the April 2020 filing was appropriate as, at the time, the BOX Trading Floor closed indefinitely. This is no longer the case. Since reopening the BOX Trading Floor, BOX has put in place robust policies and procedures regarding the closure and reopening of the Trading Floor due to COVID-19. As such, BOX does not anticipate having to close the Trading Floor again for an indefinite amount of time.

<sup>13</sup> The Exchange notes that it previously did not charge Broker Dealers, Professional Customers and Market Makers for Facilitation and Solicitation Orders in the Facilitation and Solicitation mechanism. See SR-BOX-2015-29.

on the BOX Trading Floor to other exchanges in the industry) which will result in greater liquidity and ultimately benefit all Participants trading on the Exchange. Further, the Exchange believes that the proposed change is equitable and not unfairly discriminatory, as the proposed change applies to all Participants, regardless of account type.

The Exchange believes that the proposed fees for Responses in the Facilitation and Solicitation auction mechanisms are reasonable. As discussed above, the Exchange is removing Liquidity Fees and Credits for the Facilitation and Solicitation mechanisms. With the Liquidity Fees and Credits removed, the Exchange is transferring the fee for adding liquidity (\$0.25 for Penny Pilot Class and \$0.75 Non-Penny Pilot Classes) and adding these fees to the proposed Response fees. BOX Participants responding to the Facilitation and Solicitation orders will not be charged any differently than they are today.<sup>14</sup> Further, the Exchange believes that the proposed fees are equitable and not unfairly discriminatory because the fees are assessed to all Participants, regardless of account type.

The Exchange also believes it is reasonable, equitable and not unfairly discriminatory to charge higher exchange fees for responders in the Facilitation and Solicitation auctions than for initiators of these orders and the contra orders. The Exchange again notes that the total transaction fee for Responses in the Facilitation and Solicitation mechanisms is not changing. The Exchange is simply including the liquidity fees in Section III.B. to the fees for Responses in the Facilitation and Solicitation mechanisms which are currently assessed today. While the Exchange is decreasing the fees for Facilitation and Solicitation orders and creating a larger disparity between the Initiator and Responder, the Exchange believes that the differential between what an Initiator will pay compared to what a Responder will pay is reasonable because

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<sup>14</sup> See supra note 8.

Responders are willing to pay a higher fee for liquidity discovery. The Exchange believes that assessing no fees for Agency Orders and Facilitation and Solicitation Orders will attract more liquidity to these mechanisms ultimately providing Responders with increased opportunity for executions on the Exchange. Despite the increased differential between the Initiator and Responder, the Exchange again notes that Responders are not paying any more than what they currently pay for responses in these mechanisms today. Further, the Exchange believes the proposed fees for Responders are equitable and not unfairly discriminatory as they apply to all Participants, regardless of account type.

The Exchange further believes it is reasonable to establish different fees for Responses to Facilitation and Solicitation transactions in Penny Pilot Classes compared to transactions in Non-Penny Pilot Classes. The Exchange makes this distinction throughout the BOX Fee Schedule, including the Exchange Fees for PIP and COPIP Transactions. The Exchange believes it is reasonable to establish higher fees for Non-Penny Pilot Classes because these Classes are typically less actively traded and have wider spreads.

#### Liquidity Fees and Credits

Currently, the Liquidity Fees and Credits fee structure for Facilitation and Solicitation transactions, in particular the credit for removing liquidity, aims to attract order flow to the BOX auction mechanisms. The Exchange believes that eliminating the Liquidity Fees and Credits for Facilitation and Solicitation Transactions when the Trading Floor is inoperable is reasonable as the Exchange has, pursuant to this proposal, eliminated Facilitation and Solicitation Order fees.<sup>15</sup> Market participants no longer need the incentive of a credit for removing liquidity when there are

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<sup>15</sup> The Exchange again notes that no fees are assessed for Agency Orders for any account type.

no fees assessed for Agency Orders and Facilitation and Solicitation Orders in the Facilitation and Solicitation auction mechanism. Further, the Exchange believes the proposed change is equitable and not unfairly discriminatory in that the change will apply to all categories of Participants and across all account types.

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 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 believes that the proposed changes to the Facilitation and Solicitation Transaction fees will not impose a burden on competition among various Exchange Participants. Rather, BOX believes that the change will result in the Participants being charged appropriately for these transactions and are designed to enhance competition in the Facilitation and Solicitation mechanisms. Submitting an order is entirely voluntary and Participants can determine which order type 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. The Exchange does not believe that the proposed change will burden competition by creating a disparity between the fees an initiator 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 the Facilitation and Solicitation mechanisms, and will help promote competition by providing incentives for market participants to submit Facilitation and Solicitation Orders, and thus benefit all Participants trading on the Exchange by attracting customer order flow.

Lastly, the Exchange believes that eliminating the Liquidity Fees and Credits for Facilitation and Solicitation Transactions will not burden competition as the proposed change applies to all market participants. As discussed above, the Exchange believes that eliminating the Liquidity Fees and Credits for Facilitation and Solicitation Transactions is reasonable as the Exchange, pursuant to this proposal, has eliminated Facilitation and Solicitation Order fees. Therefore, the credit for removing liquidity is no longer needed to incentivize Participants to submit order flow to the Facilitation and Solicitation auction mechanisms.

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<sup>16</sup> and Rule 19b-4(f)(2) thereunder,<sup>17</sup> 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

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2020-39 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-2020-39. 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.

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-2020-39, 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.<sup>18</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).