

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-91670; File No. SR-BOX-2021-05)

April 26, 2021

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”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 15, 2021, 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>.

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 Section II.C (QOO Order Rebate) of the BOX Fee Schedule. Specifically, the Exchange proposes to reinstate the monthly rebate cap of \$30,000 per month per Broker Dealer. The Exchange notes that the proposed rebate cap was previously in place when BOX established fees for the Trading Floor in 2017.⁵

Currently, Floor Brokers are eligible to receive a \$0.075 per contract rebate for all Broker Dealer and Market Maker QOO Orders presented on the Trading Floor and \$0.05 per contract rebate for all Professional Customer QOO Orders presented on the Trading Floor. The rebate is not applied to Public Customer executions, executions subject to the Strategy QOO Order Fee Cap, or Broker Dealer executions where the Broker Dealer is facilitating a Public Customer. Under this proposal, Floor Brokers will continue to be eligible to receive a per

⁵ See Securities Exchange Act Release Nos. 81504 (August 30, 2017), 82 FR 42195 (September 6, 2017)(SR-BOX-2017-28)(Establishing Fees and Rebates for the Trading Floor on the BOX Market LLC Options Facility).

contract rebate for all applicable QOO Orders; however, the total monthly rebate for Broker Dealer orders will now be capped at \$30,000 per month per Broker Dealer.⁶

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,⁷ 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.

BOX established the QOO Order Rebate program and the monthly rebate cap in August 2017. As discussed in BOX's 2017 proposal to establish the QOO Order Rebate program and rebate cap, the rebate was created to incentivize order flow to the BOX Trading Floor. Further, the QOO Order Rebate program was established to attract order flow by rewarding Floor Brokers with rebates for directing qualifying orders to the BOX Trading Floor.⁸ The Exchange notes that

⁶ The Exchange notes that all Broker Dealer QOO Orders that are eligible for the rebate will also be subject to the rebate cap.

⁷ 15 U.S.C. 78f(b)(4) and (5).

⁸ Unlike competing exchanges, the Exchange does not offer a front-end order entry system to its Floor Brokers to submit orders on the BOX Trading Floor. Instead, Floor Brokers use their own proprietary front-end order entry systems on the BOX Trading Floor. Given this, Participants have two possible means of bringing orders to the Exchange's Trading Floor for possible execution: (1) they can invest in the technology, systems and personnel to participate on the Trading Floor and deliver the order to the Exchange matching engines for validation and execution; or (2) they can utilize the services of another Participant acting as a Floor Broker. The Exchange notes that the investment in the technology, systems and personnel to establish a front-end order entry system on the BOX Trading Floor is substantial. As such, the Exchange established the QOO Order Rebate program to incentivize Participants to (1) make such an investment to become a Floor Broker on the BOX Trading Floor and (2) allow Floor Brokers to price their services at a level that would enable them to attract QOO order flow from participants who would otherwise utilize the front-end order entry mechanism offered by the Exchange's competitors instead of incurring the cost in time and resources to install and

it is not making any changes to the amount of the QOO Order Rebate, and that the QOO rebate will continue to apply to both sides of the qualifying paired QOO Order.⁹

The Exchange notes that the rebate cap was removed in December 2019 to further incentivize Floor Brokers to bring QOO Order flow to the BOX Trading Floor.¹⁰ The Exchange now believes the same level of incentive is no longer necessary for Floor Brokers to bring additional order flow to the BOX Trading Floor and, as such, believes the proposed change to reinstate the rebate cap is reasonable and appropriate at this time.¹¹ Further, the Exchange notes that Floor Brokers will continue to be offered the per contract rebate for applicable QOO Orders (subject to the proposed rebate cap) and fees for Broker Dealers will continue to be capped at \$75,000 per month per Broker Dealer.¹² The Exchange believes that, despite the reinstatement of the proposed rebate cap, the current per contract rebate for Floor Brokers and fee cap for Broker Dealer QOO Orders will continue to incentivize Floor Brokers to bring Broker Dealer QOO order flow to the Exchange. The Exchange also believes the proposed rebate cap is

develop their own internal systems to deliver QOO orders directly to the Exchange system.

⁹ As noted above, currently the rebate does not apply to Public Customer executions, executions subject to the Strategy QOO Order Fee Cap, or Broker Dealer executions where the Broker Dealer is facilitating a Public Customer.

¹⁰ See Securities Exchange Act Release No.87704 (December 10, 2019), 84 FR 68499 (December 16, 2019)(SR-BOX-2019-35).

¹¹ As with any incentive, there are multiple ways to reduce or raise the level. The Exchange notes it could have lowered the QOO Rebate amount, but instead decided to reinstate the QOO rebate cap that had already previously been in place on the Exchange.

¹² The Exchange notes that QOO Order fees are capped for Broker Dealers only on the BOX Trading Floor - Market Maker and Professional Customer order fees are not subject to any such fee cap. As such, the Exchange believes that reinstating the rebate cap for Broker Dealer orders is reasonable and appropriate at this time.

reasonable as it was previously in place on the BOX Trading Floor.¹³ For the foregoing reasons, the Exchange believes it is appropriate to reinstate the rebate cap for Broker Dealer orders on the BOX Trading Floor.

Lastly and as noted above, the Exchange further believes that the \$30,000 rebate cap for Broker Dealer orders is equitable and not unfairly discriminatory as Broker Dealer QOO Order execution fees are currently capped at \$75,000 per month and other QOO Order fees are not. Further, all similarly situated Floor Brokers on the BOX Trading Floor who receive rebates on Broker Dealer orders will be uniformly capped at \$30,000 per month per Broker Dealer.

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 the proposed rebate cap will not impose an unfair burden on intramarket competition because all similarly situated Floor Brokers who receive rebates on Broker Dealer orders on the BOX Trading Floor would be uniformly capped at \$30,000 per month per Broker Dealer.¹⁴ Further, the Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as the Exchange operates in a highly competitive market in which market participants can readily choose to send their orders to other exchanges with trading floors if they deem rebate opportunities at other trading floors to be more favorable. In such an environment, the Exchange must continually

¹³ See supra note 5.

¹⁴ As mentioned above, the Exchange believes that reinstating the rebate cap for Broker Dealer orders is reasonable and appropriate because Broker Dealer orders are the only executions currently capped at \$75,000 per month (Market Maker and Professional Customer orders are not subject to any fee cap).

review, and consider adjusting, its fees and rebates to remain competitive within the industry. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act¹⁵ and Rule 19b-4(f)(2) thereunder,¹⁶ 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

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2021-05 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-2021-05. 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-2021-05, 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.¹⁷

J. Matthew DeLesDernier
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).