

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70672; File No. SR-BOX-2013-47)

October 11, 2013

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend BOX Rule 8040

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 October 2, 2013, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend BOX Rule 8040 (Obligations of Market Makers) to widen [sic] pre-opening phase spread differential requirement imposed on Market Makers. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxexchange.com>.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend BOX Rule 8040(a)(7) (Obligations of Market Makers) to widen the pre-opening phase spread differential requirement imposed on Market Makers.

The Exchange recently eliminated the pre-opening quoting obligations imposed on BOX Market Makers.³ This rule was amended to put BOX Market Makers on par with market makers on other options exchanges that do not have pre-market continuous quoting obligations. In this filing, the Exchange did not adjust the corresponding pre-opening phase spread differential requirement for Market Makers in Rule 8040 (a)(7). The purpose of this filing is to remove the narrower pre-opening phase spread differential requirements imposed on Market Makers in Rule 8040(a)(7). Instead, Market Makers who choose to quote in the pre-opening phase will be required to quote within the standard bid ask-differential of \$5. The Exchange believes that the narrower pre-opening phase spread differential requirements are no longer necessary now that Market Makers are not required to quote during the pre-opening. Additionally, applying the standard bid-ask differential requirement to both the pre-opening phase and the continuous trading phase will eliminate any potential for confusion about Market Maker obligations. Finally, this change could promote Market Maker quoting during the pre-opening and, therefore,

³ See Securities Exchange Act Release No. 68412 (December 12, 2012), 77 FR 74902 (December 18, 2012)(SR-BOX-2012-022)(Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Eliminate Market Maker Pre-Opening Obligations on BOX).

expedite the opening of all options series on the Exchange promptly after the opening of the underlying security.

The Exchange further believes that applying the standard bid-ask differential to all phases of trading is appropriate because it will more closely align the Exchange's rules with the rules of other option exchanges that do not have pre-opening quoting requirements, specifically Nasdaq Stock Exchange Options Market ("NOM").⁴

In addition, the Exchange proposes to remove an exception to the standard bid-ask differential requirement in Rule 8040 (a)(7)(ii). Rule 8040(a)(7)(ii) is no longer necessary as the bids and asks for all indices are now disseminated to the Exchange by outside service providers.⁵

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁷ in particular, in that it is designed to promote just and equitable principles of trade, 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. With this proposal, BOX Maker Makers will no longer be required to comply with narrower spread differential requirements if they choose to quote in the pre-opening phase. The Exchange believes that removing this more burdensome obligation could result in more quoting during the pre-opening phase, thereby increasing liquidity on BOX. The Exchange also believes it is appropriate to make this amendment to its rules so that Participants and investors have a clear and accurate understanding of the Market Maker

⁴ See Chapter VII, Section 6 of the NOM Rules.

⁵ See IM-6010-1 to BOX Rule 6010.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

obligations required under the Exchange's rules. By removing the rule text, the Exchange is eliminating any potential for confusion about Market Maker obligations during the pre-opening phase.

Further, the proposed change conforms BOX's Market Maker obligations to the requirements of a competing exchange,⁸ which will promote the application of consistent trading practices across markets that provide Market Makers with similar benefits.

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, but rather eliminates any investor confusion and could increase competition by attracting liquidity. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a recent filing submitted by NOM.⁹

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

The Exchange has neither solicited nor received comments on the proposed rule change.

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

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6)

⁸ See supra, note 4.

⁹ Id.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

thereunder.¹¹ At any time within 60 days of the filing of such 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.

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-2013-47 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2013-47. 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

¹¹ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2013-47 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.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).