

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100505; File No. SR-BOX-2024-17)

July 11, 2024

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule for Trading on the BOX Options Market LLC Facility (“BOX”)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 1, 2024, BOX Exchange LLC (the “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 Terms of 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”) options 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 <https://rules.boxexchange.com/rulefilings>.

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 include FLEX Open Outcry (“FOO”) volume toward the Qualified Contingent Cross (“QCC”) Growth Rebate.⁵

Currently, BOX offers a QCC Rebate and a QCC Growth Rebate.⁶ Specifically, a QCC Rebate is paid to the Participant that entered the order into the BOX system when at least one party to the QCC transaction is a Broker Dealer or Market Maker. The Participant receives a per contract rebate on QCC transactions according to the tier achieved. Volume thresholds are calculated on a monthly basis by totaling the Participant’s QCC Agency Order volume on BOX. When only one side of the QCC transaction is a Broker Dealer or Market Maker, Rebate 1 applies. When both parties to the QCC transaction are a Broker Dealer or Market Maker, Rebate 2 applies. The Exchange notes that the QCC Rebate is intended to incentivize the sending of QCC Orders to BOX.

⁵ The Exchange recently established transaction fees and rebates applicable to the FOO Order type on the BOX Trading Floor. See Securities Exchange Act Release No. 100396 (June 21, 2024), 89 FR 53693 (June 27, 2024) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule for Trading on the BOX Options Market LLC Facility).

⁶ See BOX Fee Schedule Section IV.D.1.

The QCC Rebate tier structure is as follows:

Tier	QCC Agency Order Volume on BOX (per month)	Rebate 1 (per contract)	Rebate 2 (per contract)
1	0 to 749,999 contracts	(\$0.14)	(\$0.22)
2	1,000,000[sic] to 1,499,999 contracts	(\$0.16)	(\$0.25)
3	1,500,000+ contracts	(\$0.17)	(\$0.27)

Additionally, the QCC Growth Rebate allows Participant's to qualify for the rebates listed in Tier 3 of the QCC Rebate if a Participant's QCC Agency Order volume on BOX achieves Tier 2 of the QCC Rebate in the month AND the Participant's total QCC volume combined with total Qualified Open Outcry ("QOO") volume exceeds 5 million contracts per month. Strategy QOO Orders and Strategy QCC Orders are not counted toward the QCC Growth Rebate volume.⁷

The Exchange now proposes that FOO volume be counted toward the QCC Growth Rebate. Specifically, the Exchange proposes that if a Participant's QCC Agency Order volume on BOX achieves Tier 2 of the QCC Rebate in the month AND the Participant's total QCC volume combined with total QOO and FOO volume exceeds 5 million contracts per month, then the Participant will qualify for the rebates listed in Tier 3 of the QCC Rebate ("QCC Growth Rebate qualifications"). Strategy QOO Orders, Strategy FOO Orders, and Strategy QCC Orders will not be counted toward the QCC Growth Rebate volume. Further, Participants are entitled to one QCC Rebate in a given month, which would be the greater of the QCC Rebate in Section IV.D.1.a, or the QCC Growth Rebate detailed in Section IV.D.1.b, but not both.

⁷ See BOX Fee Schedule Section IV.D.1.b.

The Exchange notes that a similar rebate currently exists at another options exchange.⁸ Further, the Exchange believes that the proposal will encourage Participants to send increased QCC, FOO, and QOO order flow to BOX in order to achieve a higher rebate.

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,⁹ 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's proposal to include FOO volume toward the QCC Growth Rebate is reasonable because this rebate will provide additional incentives for BOX Participants to engage in substantial amounts of trading activity which would serve to bring additional open outcry liquidity to the Trading Floor and QCC order flow to BOX's electronic market.

As discussed above, the Exchange notes that a similar QCC rebate currently exists at another exchange.¹⁰ The Exchange believes that the proposed QCC Growth Rebate qualifications are reasonable because they offer Participants an additional opportunity to achieve a higher QCC rebate. Additionally, the Exchange's proposal to include FOO volume toward the QCC Growth Rebate is equitable and not unfairly discriminatory because any

⁸ See NYSE American LLC ("NYSE American") Fee Schedule (Section I.F.QCC Fees & Credits). Although the NYSE American Fee Schedule does not reference FLEX options, the Exchange believes that FLEX options are included in the Section I.F.QCC Fees & Credits calculation of manual billable sides, which provides a QCC Billable Bonus Rebate. The Exchange notes that the structure and rebates differ, however, the concept of combining manual billable (including FLEX options) and QCC billable volume to determine rebates is similar to the proposal.

⁹ 15 U.S.C. 78f(b)(4) and (5).

¹⁰ See supra note 8.

Participant may qualify for this rebate.¹¹ All BOX Participants may enter order flow to obtain a QCC Growth Rebate.

The Exchange believes the proposal will create an incentive for Participants to bring liquidity to BOX – both electronically and on the Trading Floor. The Exchange believes that if the proposed incentive is effective, then an ensuing increase in trading activity on BOX will improve the quality of the market to the benefit of all market participants. Further, to the extent this proposal attracts new Participant volume to BOX, all market participants should benefit through increased liquidity and more trading opportunities. The Exchange believes this proposal is designed to increase participation on BOX and reward those Participants for the unique role they play in ensuring a robust market.

The Exchange’s exclusion of QCC, FOO, and QOO strategy transactions is reasonable as Strategy QCC transactions are not currently assessed a fee and Strategy QOO and Strategy FOO transactions are subject to the fee caps and rebates detailed in Section V.D of the BOX Fee Schedule. The Exchange also notes that other exchanges exclude strategy transactions from certain rebates.¹² Further, the exclusion of strategy transactions from the QCC Growth Rebate is equitable and not unfairly discriminatory as this exclusion will be uniformly applied to all Participant types.

¹¹ The Exchange notes that all BOX Participants may transact options business electronically or on the BOX Trading Floor with a registered Trading Permit. The Exchange notes further that any market participant may send an order to a BOX Floor Broker for execution on BOX’s Trading Floor.

¹² See Nasdaq PHLX LLC (“Nasdaq PHLX”) Rules, Section 6.B. FLEX Transaction Fees (providing that the Monthly Firm Fee Cap, Monthly Market Maker Cap, Strategy Caps and the Options Surcharge in BKX, described in Options 7, Section 4 will apply to this Section 6.B. No other fees described in Options 7, Section 4 will apply to this Section 6.B.). The Exchange notes that Nasdaq PHLX Options 7, Section 4 includes QCC Rebates which are inapplicable to Section 6.B FLEX Transaction Fees by its terms. See also NYSE American Fee Schedule (Section III.E.1.Floor Broker Incentive and Rebate Programs). The Exchange notes that NYSE American’s Manual Billable Rebate Program does not include volume calculated to achieve the Strategy Execution Fee Cap, regardless of whether the cap is achieved.

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 proposal does not impose an undue burden on intermarket competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice of where to transact its business. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges. Because competitors are free to modify their own fees and rebates in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

The Exchange believes that the QCC Growth Rebate as amended will encourage market participants to send greater amounts of QCC orders, FOO Orders, and QOO Orders to BOX for execution in order to obtain greater rebates and lower their costs. Further, the proposed QCC Growth Rebate should incentivize a greater amount of floor transactions on BOX, thereby allowing BOX to compete more effectively with other options floor models. The Exchange believes that the additional liquidity will enhance the quality of BOX's market and increase certain trading opportunities on BOX's Trading Floor.

The Exchange believes that its proposal will not place any category of market participant at a competitive disadvantage and therefore does not impose an undue burden on intra-market competition. The Exchange notes that any market participant may send an order to a BOX Floor Broker for execution on BOX's Trading Floor.

The Exchange's exclusion of FOO strategy transactions from the volume counted toward the QCC Growth Rebate does not impose an undue burden on competition as the exclusion will be uniformly applied to all Participant types.

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 Act¹³ and Rule 19b-4(f)(2) thereunder,¹⁴ 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:

¹³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁴ 17 CFR 240.19b-4(f)(2).

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-BOX-2024-17 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-2024-17. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright

protection. All submissions should refer to file number SR-BOX-2024-17 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

J. Matthew DeLesDernier,

Deputy Secretary.

¹⁵ 17 CFR 200.30-3(a)(12).