Dated: February 22, 2013.

Elizabeth M. Murphy,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–68965; File No. SR–BOX–2013–08]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change To Reduce the Directed Order Exposure Period on BOX From Three Seconds to One Second

February 21, 2013.

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 February 15, 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 from interested persons.

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

The Exchange proposes to reduce the exposure period for Directed Orders from three seconds to one second. 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 Web site 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 Sections A, B, and C below, of the most significant aspects of such statements.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

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 Rules [sic] 8040(d)(6) (Obligations of Market Makers) to reduce the exposure period for Directed Orders from three seconds to one second.[3] Based on trading systems technology today, an exposure period of multiple seconds is simply unnecessary.[4] Additionally, such lengthy time periods expose market participants to additional, and because of current systems technology, unnecessary, market risk.

Currently, upon receipt of a Directed Order, an Executing Participant (''EP'') must either submit the Directed Order to the Price Improvement Period (''PIP'')[5] or send the Directed Order to the BOX Book. When the EP sends the Directed Order to the BOX Book and the EP's quotation on the opposite side of the market from the Directed Order is equal to the National Best Bid or Offer (''NBBO'') and the Directed Order is also executable against the NBBO, the BOX Trading Host immediately takes down the EP's quote and guarantees the EP's execution of the Directed Order for at least the price and size of the EP's quote (''Guaranteed Directed Order'' or ''GDO''). Once the GDO has been generated by the Trading Host, the EP is systemically prohibited from posting a quotation for three seconds. The Exchange proposes to reduce the time period of the GDO from three seconds to one second. This proposed change will reduce the EP's market risk related to the GDO and accommodate faster processing as current technology systems allow.

The EP's pending quote will not be released until either (i) the Directed Order is modified by the submitting OFP;[6] (ii) the EP submits the Directed Order to the PIP; or (iii) the Directed Order is submitted to the BOX Book, and one of the following occurs: (a) the Directed Order trades in full; (b) the Directed Order exposition ends; or (c) the Directed Order is modified or cancelled by the submitting OFP during such exposition.

When the EP does not submit the Directed Order to the PIP, but rather, releases it to the BOX Book, the Directed Order immediately executes against the BOX Book if the BOX Best Bid or Offer is equal to or better than the NBBO and GDO. Any remaining quantity not executed is exposed to BOX Participants at the better of the NBBO or GDO price for three (3) seconds, during which time any Options Participant, except for the EP as outlined above, may submit an order to the BOX Book in response. Any orders submitted to the BOX Book during the three second exposure period execute immediately against any remaining quantity of the Directed Order, in time priority. The Exchange proposes to reduce this exposure and response period to one second as the three second processing time is unnecessary.[7]

If a Directed Order is not executable against the current NBBO, then the Trading Host exposes the order at the better GDO price for three (3) seconds. During the exposure period when the Directed Order is executable against the current NBBO, the EP must not decrement the size, worsen the price of his GDO or submit a contra order. Because the Trading Host automatically creates the GDO and shelves the EP's quote, it does not process such changes

[3] A Directed Order is any Customer Order to buy or sell which has been directed to a particular Market Maker by an Order Flow Provider (''OFP''). *See* Rule 100(a)(19). Note that the Exchange is not proposing any change to the 3 second period in Rule 8040(d)(4) that an Executing Participant has to take action after receipt of a Directed Order. The exposure period that the Exchange proposes amending in this proposal occurs after a Directed Order is sent to the BOX Book.

[4] *See* Securities Exchange Act Release Nos. 59638 (March 27, 2009), 74 FR 15020 (April 2, 2009) (SR–BX–2009–015) (Order Granting Approval of Reduction of Certain Order Handling and Exposure Periods on BOX From Three Seconds to One Second), and 66306 (February 2, 2012), 77 FR 6608 (February 8, 2012) (SR–BX–2011–084) (Order Granting Approval to Reduce the PIP From One Second to One Hundred Milliseconds). Note that in connection with both proposals, BOX distributed a survey to Participants. The results indicated that the time it takes a message to travel between BOX and the Participants typically is not more than 50 milliseconds each way, and that it typically takes not more than 10 milliseconds for Participant systems to process the information and generate a response. The speed at which technology systems can process information has only increased since then. As such, the Exchange believes that the information gathered from Participants supports the assertion that reducing the exposure period from 3 seconds to 1 second will continue to provide Participants with sufficient time to ensure effective interaction with orders.

[5] *See* Rule 8040(d).

[6] *See* 8040(d)(5). If the Directed Order is modified once the Trading Host has automatically established the GDO, then the modified Directed Order is no longer considered a Directed Order and is immediately released to the BOX Book and treated as a regular order. Upon modification or cancellation of the Directed Order, the Trading Host immediately reestablish the EP's quote, including any of the EP's pending quote modifications, with a new time priority; or in the case of a pending quote cancellation, the EP's quote is cancelled. Also, it is considered conduct inconsistent with just and equitable principles of trade for any Options Participant or person to communicate with an EP about the terms or conditions of a Directed Order prior to its outcome in the BOX Trading Host (e.g. execution, cancellation).

[7] *Supra,* note 4.

to the GDO or pending quote, except a decrementation of the GDO size down to the size of the remaining Directed Order after execution with the BOX Book.[8] The Exchange proposes to reduce this exposure period to one second. As discussed, BOX believes the longer exposure period is unnecessary for current technology systems, and reducing the period will reduce market risk for all market participants.

When approving the existing one second exposure periods on the BOX Book and in the PIP, the Commission concluded that, in the electronic environment of BOX, reducing these time periods to one second was fully consistent with the electronic nature of the BOX market.[9] BOX is not proposing any change to the requirement in Rule 7140 and related Interpretive Material that requires an OFP to expose its customer's order on the BOX Book for at least one second before executing its own principal order against such customer order. BOX recognizes that one second, as three seconds is now, is not long enough to allow human interaction with orders. Rather, BOX believes that Participants operate sufficiently automated electronic systems so that they can react and respond to orders in a meaningful way within fractions of a second. BOX fully anticipates that this will continue within the one second exposure period proposed for Directed Orders.

BOX believes that further reducing its Directed Order exposure period from three seconds to one second will benefit all market participants. BOX believes it is in all participants' best interests to minimize the time of any exposure period while continuing to allow Participants adequate time to electronically respond, as both the order being exposed and Participants responding are subject to market risk during the exposure period of an order. Indeed, most participants wait until the end of the last second of the current three second period before responding to exposed orders so as to minimize market risk. BOX believes that even reducing the Directed Order exposure period to one second will continue to provide market participants with sufficient time to respond and compete for Directed Orders sent to the BOX Book. Additionally, a one second exposure period will provide investors and other market participants with more timely executions, thereby reducing their market risk. BOX believes that reducing the Directed Order exposure period from three seconds to one second will provide all market participants sufficient time for effective interaction with Directed Orders. BOX Participants are able to respond to orders in fractions of a second and BOX does not believe it is necessary or beneficial to orders being exposed to continue to subject them to market risk for three seconds.

After the notice of effectiveness of the proposed rule change, and at least one week prior to the operative date, the Exchange will issue a regulatory circular to inform BOX Participants of the operative date for the reduction of the Directed Order exposure period from three seconds to one second. BOX believes this will give Participants an opportunity to change any system settings to coincide with the implementation date so as to comply with the requirement in Rule 8040(d)(6)(i) that an EP not submit to BOX a contra order to the Directed Order for his proprietary account during the 1 second following his submission of the Directed Order to BOX.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,[10] in general, and Section 6(b)(5) of the Act,[11] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system and, in general, to protect investors and the public interest. In particular, the proposed rule change will facilitate and provide investors with prompt and timely execution of their options orders, while continuing to provide market participants with an opportunity to compete for exposed Directed Orders on BOX.

Additionally, the proposed change will reduce market risk for BOX Participants submitting and responding to Directed Orders. As such, BOX believes the proposed rule change would help perfect the mechanism for a free and open national market system, and generally help protect investors' and the public interest. The Exchange believes the proposed rule change is not unfairly discriminatory because the exposure time period for responding to Directed Orders would be the same for all Participants. All Participants on BOX have today, and will continue to have, an equal opportunity to respond to Directed Orders exposed on BOX.[12] As such, the Exchange believes that a reduction in the Directed Order exposure period on BOX would not be unfairly discriminatory and would benefit investors.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposed change will reduce market risk for BOX Participants submitting and responding to Directed Orders, and that the proposed rule change is not unfairly discriminatory because the exposure time period for responding to Directed Orders would be the same for all Participants. All Participants on BOX have today, and will continue to have, an equal opportunity to respond to Directed Orders exposed on BOX. As such, the Exchange believes that a reduction in the Directed Order exposure period on BOX would not be unfairly discriminatory and would benefit investors. For these reasons, 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.

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 foregoing 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, it has become effective pursuant to Section 19(b)(3)(A) of the

[8] During the exposure period, the EP also may increase the size or better the price of his GDO. The EP may also modify his pending quote to be reestablished, but the Trading Host will not apply such modifications until the quote is reestablished.

[9] *See* Securities Exchange Act Release No. 59638 (March 27, 2009), 74 FR 15020 (April 2, 2009) (SR–BX–2009–015) Order Granting Approval of Reduction of Certain Order Handling and Exposure Periods on BOX From Three Seconds to One Second.

[10] 15 U.S.C. 78f(b).

[11] 15 U.S.C. 78f(b)(5).

[12] Directed Orders exposed as set forth in Exchange Rule 8040(d)(6) are displayed through the BOX High Speed Vendor Feed (''HSVF''). The HSVF is a proprietary feed of BOX market information made available to all market participants. *See* Rule 7130(a)(2).

Act[13] and Rule 19b–4(f)(6) thereunder.[14]

At any time within 60 days of the filing of the 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 email to *rule-comments@sec.gov.* Please include File Number SR–BOX–2013–08 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–2013–08. 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 Web site (*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 Web site 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; 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–2013–08 and should be submitted on or before March 20, 2013.

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

Kevin M. O'Neill,

Deputy Secretary.

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[13] 15 U.S.C. 78s(b)(3)(A).

[14] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and 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. The Exchange has fulfilled this requirement.

The Commission notes that the Exchange asserted in its filing that

The proposed change brings the Directed Order exposure period closer in line with the exposure periods already in existence on BOX. The time period for Participants to respond in the BOX Solicitation Auction and Facilitation Auction is one second. [footnote omitted] Additionally, the PIP duration is 100 milliseconds. [footnote omitted] The BOX trading system that processes Directed Orders is the same BOX system that processes Solicitation and Facilitation Auctions and the PIP. The proposed rule change makes no substantive change to the operation of BOX, or the execution of Directed Orders on BOX, other than reducing the Directed Order exposure period to be more in line with the time periods already in existence in other mechanisms on BOX.

See SR–BOX–2013–08 (Form 19b–4).

[15] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–68964; File No. SR–C2–2013–008]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to Market-Maker Continuous Quoting Obligations

February 21, 2013.

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 February 8, 2013, C2 Options Exchange, Incorporated (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On February 20, 2013, the Exchange submitted Amendment No. 1 to the proposed rule change. 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 its Rules relating to Market-Maker continuous quoting obligations. The text of the proposed rule change is available on the Exchange's Web site (*http://www.c2exchange.com/Legal/*), at the Exchange's Office of the Secretary, and at the Commission.

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 purpose of the proposed rule change is to add language to Exchange Rules 8.5 and 8.17 to exclude intra-day add-on series ("Intra-day Adds") on the day during which such series are added for trading from Market-Makers'[3] quoting obligations. Additionally, the proposed rule change clarifies in Rule 8.19 that Designated Primary Market-Makers ("DPMs), respectively (Market-Makers and DPMs are collectively referred to in this filing as "Market-Makers" unless the context provides otherwise) may still receive participation entitlements pursuant to those Rules in all Intra-day Adds on the day during which such series are added for trading in which they are quoting provided that Market-Maker meets all other entitlement requirements as set forth in the applicable rule.

Intra-Adds are series that are be added to the Exchange system after the opening of the Exchange. These series

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Exchange Rule 8.1 which defined Market-Makers as participants that "have certain rights and bear certain responsibilities beyond those of other Participants."