SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69863; File No. SR–BOX–2013–32]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend BOX Rule 7130 (Execution and Price/Time Priority) To Adjust the NBBO Exposure Period

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 June 20, 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 amend BOX Rule 7130 (Execution and Price/Time Priority) to adjust the NBBO exposure period. 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.

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

1. Purpose

The Exchange proposes to amend BOX Rule 7130 (Execution and Price/Time Priority) to allow the Exchange to set the duration of the NBBO exposure period available to certain unexecuted orders. This is a competitive filing based on the rules of the International Securities Exchange (''ISE'').[3]

Under the current BOX Rules, certain orders are exposed at the national best bid or offer (''NBBO'') to all Exchange Participants for one (1) second to give Participants an opportunity to execute against the order at the NBBO or better. If no Participants execute against the order during the exposure period, the order will be rejected (in the case of Non-Customer Orders), routed to an Away Exchange[4] (in the case of Public Customer Orders), or, if the best BOX price is then equal to the NBBO, executed on the BOX Book.[5] The Exchange proposes to amend the exposure period language in Rule 7130(b)(4)(ii) to state that the order will be exposed on the BOX Book at the NBBO for a time period established by the Exchange, not to exceed one second.

The proposed change will give the Exchange the flexibility of lowering the NBBO exposure period when necessary, which the Exchange believes will benefit market participants by providing them with more timely executions and reducing their market risk. Today's market participants possess sophisticated trading technology and, as with other time periods on BOX, a longer exposure period may not be necessary.[6] Additionally, these longer time periods expose market participants to additional, and because of current systems technology, unnecessary, market risk.

When setting this NBBO exposure period, the Exchange will take into consideration the technological ability of Participants to respond as well as similar exposure periods implemented by the Exchange and other exchanges. The Exchange will notify Participants of the duration of the exposure period, and any changes to the duration, via regulatory circular at least one week prior to the implementation date. BOX believes this will give Participants an opportunity to change any system settings to coincide with the implementation date.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the ''Act''),[7] in general, and Section 6(b)(5) of the Act,[8] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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. 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

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

[2] 17 CFR 240.19b–4.

[3] *See* Supplementary Material .02 to ISE Rule 1901. The rule was adopted in 2008. *See* Securities Exchange Act Release No. 58038 (June 26, 2008), 73 FR 38261 (July 3, 2008) (SR–ISE–2008–50) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Exposure of Public Customer Orders to all ISE Members). ISE's current NBBO Exposure period is set at 150 milliseconds. *See* ISE Market Information Circular 2012–09 from February 29, 2012.

[4] The Exchange is a participant in the Options Order Protection and Locked/Crossed Market Plan (''Plan''). The Plan requires the Participating Options Exchanges to adopt rules ''reasonably designed to prevent Trade-Throughs.'' Under the Plan, the Exchange cannot execute orders at a price that is inferior to the NBBO, nor can the Exchange place an order on its books that would cause the Exchange's best bid or offer (''BBO'') to lock or cross another exchange's quote. In compliance with this requirement, incoming orders are not automatically executed at prices inferior to another exchange's Protected Bid or Protected Offer, nor placed on the limit order book if they would lock or cross an Away Market. If the Exchange cannot execute or book an order it will route the order to an Away Exchange on behalf of the Options Participant who submitted the Eligible Order through a third-party broker dealer.

[5] Only orders that are specifically designated by Options Participants as eligible for routing will be routed to an Away Exchange (''Eligible Orders''). However, Market-on-Opening Orders, any Improvement Auction orders, or any order identified with the condition ''Fill and Kill'' shall not be eligible for routing. *See* BOX Rule 15030(a).

[6] *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); 68965 (February 21, 2013), 78 FR 13387 (February 27, 2013) (SR–BOX–2013–08) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Reduce the Directed Order Exposure Period on BOX From Three Seconds to One). In connection with the first two 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 having the flexibility to reduce the NBBO exposure period to under one second will continue to provide Participants with sufficient time to ensure effective interaction with orders.

[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(5).

participants with an opportunity to compete for orders exposed at the NBBO.

As proposed, the NBBO exposure period will not exceed one second and will be set by the Exchange, taking into consideration the technological ability of Participants to respond as well as similar exposure periods implemented by other exchanges. The Exchange believes having the ability to set the appropriate duration for the NBBO exposure period will provide flexibility and thereby improve order execution opportunities for Participants. As a result, the Exchange believes the proposed rule change promotes just and equitable principles of trade, will foster cooperation and coordination with persons engaged in facilitating transactions in securities, and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

Additionally, the proposed change will reduce market risk for BOX Participants responding to orders exposed at the NBBO by providing more timely executions of these 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 orders exposed at the NBBO would be the same for all Participants. Further, all Participants will have advance notice of the NBBO exposure period and any changes via regulatory circular. All Participants on BOX have today, and will continue to have, an equal opportunity to respond to orders exposed at the NBBO. As such, the Exchange believes the proposed change is not 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 whose orders are exposed at the NBBO and those responding to orders exposed at the NBBO, and that the proposed rule change is not unfairly discriminatory because the exposure time period would be the same for all Participants. All Participants on BOX have today, and will continue to have, an equal opportunity to respond to orders exposed at the NBBO. Further, all Participants will have advance notice of the NBBO exposure period and any changes via regulatory circular. As such, the Exchange believes that a possible reduction in the exposure period would not be unfairly discriminatory and would benefit investors. The Exchange all also believes that the proposed change will not burden intermarket competition and instead will help the market operate efficiently by giving Participants the opportunity to trade on an order before it is routed away or canceled. Additionally, and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to the rules of the ISE.[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 foregoing proposed rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, 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 Act[10] and Rule 19b–4(f)(6) thereunder.[11]

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:

[9] *See supra,* note 3.

[10] 15 U.S.C. 78s(b)(3)(A).

[11] 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 met this requirement.

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–2013–32 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–2013–32. 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 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–2013–32 and should be submitted on or before July 23, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Kevin M. O'Neill,

Deputy Secretary.

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[12] 17 CFR 200.30–3(a)(12).