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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-CBOE-2014-001. 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 CBOE. 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-CBOE-2014-001 and should be submitted on or before February 19, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Elizabeth M. Murphy,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71374; File No. SR-BOX-2014-05]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the BOX Rules To Remove the BOX-Top Order

January 23, 2014.

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 January 14, 2014, BOX Options Exchange LLC ("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 the BOX Rules to remove the BOX-Top Order. 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend the BOX rules to remove the BOX-Top Order. A BOX-Top Order is currently defined as an order

entered into the BOX Book which is executed at the best price available in the market for the total quantity available from any contra bid (offer).³ Any residual volume left after part of a BOX-Top Order has been executed is automatically converted to a limit order at the price at which the original BOX-Top Order was executed, except when a BOX-Top Order executes against a Legging Order at a penny increment in a series traded in a larger increment. In this instance, the remaining BOX-TOP Order quantity will be priced, ranked and displayed on the BOX Book at the nearest increment tick permitted for the series (rounded up (down) in the case of a sell (buy) order).

BOX-Top Orders were originally introduced at the launch of the Exchange in 2004 to fulfill a market need.⁴ Specifically, the Exchange created BOX-Top Orders because the Exchange did not offer Market Orders when it launched.⁵ However, shortly after the Exchange launched, Participants expressed their preference for Market Orders instead of BOX-Top Orders. Due to these requests the Exchange decided to offer Market Orders as well.⁶ Once the Exchange began offering Market Orders the popularity of BOX-Top Orders drastically decreased due to the preference by Participants for Market Orders; as a result, the BOX-Top Order is rarely used by Participants today. The Exchange has spoken with Participants who currently use BOX-Top Orders and has verified that removing this order type will have no impact on their ability to trade on the Exchange. Consequently, the Exchange believes that the continued presence of the BOX-Top Order as an order type offered by the Exchange no longer serves a business purpose and could lead to investor confusion.

The Exchange notes that while very similar, BOX-Top Orders are not identical to Market Orders. After execution, the residual volume of a BOX-Top Order is automatically converted to a limit order at the price at which the BOX-Top Order was executed.⁷ With a Market Order the residual volume is executed at the next best price available for the total quantity

³ See BOX Rule 7110(c)(2).

⁴ See Securities Exchange Act Release No. 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (Order Approving SR-BSE-2002-15).

⁵ *Id.*

⁶ See Securities Exchange Act Release No. 51821 (June 10, 2005), 70 FR 35143 (June 16, 2005) (Order Approving SR-BSE-2004-51).

⁷ Except when the BOX-Top Order executes a Legging Order at a penny increment in a series trader [sic] in a larger increment.

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

available under [sic] the Market Order is fully executed. The Exchange believes the lack of demand for the BOX-Top Order demonstrates that this capability is not important to Participants. Further, the filtering process at each price level ensures that the Market Order will not trade through the NBBO.

Accordingly, the Exchange proposes to remove all references to BOX-Top Orders in the Exchange rules. First, the Exchange proposes to amend Rule 7130(b) (Filtering of BOX In-Bound Orders) to remove references to [sic] BOX-Top Order. All inbound orders to BOX (with the exception of Improvement Orders and Primary Improvement Orders submitted during a PIP, Directed Orders, and Intermarket Sweep Orders) are filtered by the Trading Host prior to entry on the BOX Book to ensure that these orders will not, in the case of a sell (buy) order, execute at a price below (above) the NBBO price.⁸

Once BOX-Top Orders are removed the Exchange will continue to filter all inbound orders (with the exception of Improvement Orders and Primary Improvement Orders submitted during a PIP, Directed Orders, and Intermarket Sweep Orders) to ensure that these orders will not, in the case of a sell (buy) order, execute at a price below (above) the NBBO price.⁹ Further, since these inbound orders to BOX will continue to be filtered, Participants will remain protected when entering orders. Therefore, the Exchange believes that the removal of the BOX-Top Order as an order type will not have any impact on Participants or the Exchange's systems.

Second, the Exchange proposes to amend Rule 7150 (Price Improvement Period) to remove references to the BOX-Top Order. Currently, Options Participants, both OFPs and Market Makers, executing agency orders may designate BOX-Top Orders for price improvement and submission to the PIP.¹⁰ Under the current PIP rules the submission of a BOX-Top Order or Market Order on the same side as a PIP Order will prematurely terminate the PIP when, at the time of the submission of the BOX-Top Order or Market Order, the best Improvement Order is equal to or better than the NBBO on the same side of the market as the Best Improvement Order.¹¹

Once references to BOX-Top Orders are removed from the Exchange's rules Participants will be able to access the PIP by submitting Market Orders and

marketable limit Customer Orders.¹² Further, the submission of a Market Order on the same side as a PIP Order will continue to prematurely terminate the PIP when, at the time of the submission of the Market Order, the best Improvement Order is equal to or better than the NBBO on the same side of the market as the Best Improvement Order. Therefore, the Exchange believes that the removal of the BOX-Top Order from the PIP will not have any impact on Participants or the Exchange's systems.

Third, the Exchange proposes to amend Rule 7240 (Complex Orders) to remove references to the BOX-Top Order. Currently, Options Participants may enter Complex Orders as BOX-Top Orders.¹³ BOX-Top Complex Orders are executed at the best price available on the market for the total quantity available from any contra bid (offer). Any residual volume left after part of a BOX-Top Complex Order has been executed is automatically converted to a limit order on the Complex Order Book at the net Strategy price at which the original BOX-Top Complex Order was executed.¹⁴ All inbound Complex Orders to BOX, including BOX-Top Complex Orders, are filtered to ensure that each leg of the Complex Order will be executed at a price that is equal to or better than the NBBO and the BOX BBO for each of the component series.¹⁵ If an inbound BOX-Top Complex Order or Market Complex Order is not executable on BOX but is executable against cNBBO, the BOX-Top Complex Orders or Market Complex Orders will be exposed on the Complex Order Book at cNBB (in the case of a sell order) or cNBO (in the case of a buy order) for a period of up to one second.¹⁶ Any executable, opposite side orders received during the exposure period, including interest on the BOX Book, will immediately execute against the exposed Complex Order.¹⁷ Any unexecuted quantity remaining at the end of the exposure period will be cancelled.¹⁸

Once BOX-Top Orders are removed from the Exchange's rules, inbound Market Complex Orders that are not executable on BOX but are executable against cNBBO will continue to be exposed on the Complex Order Book at cNBB (in the case of a sell order) or cNBO (in the case of a buy order).¹⁹

Further, since all inbound Complex Orders are filtered to ensure that each leg of a Complex Order is executed at a price that is equal to or better than the NBBO and the BOX BBO for each of the component series, Participants will remain protected when entering Complex Orders. Therefore, the Exchange believes that the removal of BOX-Top Orders as a type of Complex Orders will not have any impact on Participants or the Exchange's systems.

Fourth, the Exchange proposes to amend Rule 7245 (Complex Order Price Improvement Period ("COPIP")) to remove references to BOX-Top Orders. Consistent with the PIP, Options Participants, both OFPs and Market Makers, executing agency orders may designate Complex Orders that are BOX-Top Orders for price improvement and submission to the COPIP.²⁰ The submission to BOX of a BOX-Top Complex Order or Market Complex Order on the same side as a COPIP Order will prematurely terminate the COPIP when, at the time of the submission of such orders, the best Complex Order or BOX Book Interest is equal to or better than the cNBBO on the opposite side of the COPIP Order.²¹ Once BOX-Top Orders are removed from the Exchange's rules, Participants will continue to be able to access the COPIP by submitting Market Orders and marketable limit orders.²² Further, the submission of a Market Order on the same side as a COPIP Order will continue to prematurely terminate the COPIP when, at the time of the submission of the Market Order, the best Complex Order or BOX Book Interest is equal to or better than the cNBBO on the same side of the COPIP Order. Additionally, the Exchange is proposing to make a number of non-controversial changes and technical corrections to its rules. Such corrections include: removing references to BOX Top Orders in Rule 7070 (Opening the Market) and Interpretive Material to Rule 7080 (IM-7080-1 Trading Conditions During Limit State or Straddle State); removing references to BOX Top Orders in and renumbering Rule 7110 (Order Entry); and updating rule references in and renumbering Rule 7130 (Execution and Price/Time Priority); and updating a rule reference in Rule 8040 (Obligations of Market Makers).

The Exchange believes that the removal of BOX-Top Orders from the COPIP will not have any impact on Participants or the Exchange's systems. The Exchange is removing this order

⁸ See Rule 7130(b).

⁹ *Id.*

¹⁰ See Rule 7150(f).

¹¹ See Rule 7150(i).

¹² See Rule 7150(f).

¹³ See Rule 7240(b)(4).

¹⁴ *Id.*

¹⁵ See Rule 7240(b)(3)(iii).

¹⁶ See Rule 7240(b)(3)(iii)(B). The exposure period is currently set at 100 milliseconds.

¹⁷ *Id.*

¹⁸ See Rule 7240(b)(3)(iii)(C).

¹⁹ See Rule 7240(b)(3)(iii)(B).

²⁰ See Rule 7245(f).

²¹ See Rule 7245(h).

²² See Rule 7245(f).

type because it has become obsolete and is rarely used by Options Participants. The Exchange is proposing to remove any references to the BOX-Top Order from the BOX Rules and decommission this order type. After the notice of effectiveness of the proposed rule change, and at least one week prior to the operative date, the Exchange will issue an informational circular to inform BOX Participants of the operative date for the removal of the BOX-Top Order. BOX believes this will give Participants the opportunity to make any necessary changes to order entry methodology to coincide with the implementation date.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,²³ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁴ in particular, by eliminating an outdated and obsolete order type from the Exchange's rules. Specifically, the Exchange believes that deleting all references to the BOX-Top Order will promote just and equitable principles of trade and protect investors and the public interest, because it will help insure that investors are not confused by the functionality of different order types available for trading on the Exchange. As stated above, the BOX-Top Order is an order type only available on the Exchange, and is rarely used by Participants. Instead of using the BOX-Top Order to trade on BOX, Participants prefer to use the Market Order, an order type that is also traded on other options exchanges and is very similar to the BOX-Top Order. The Exchange believes that the continued presence of BOX-Top Orders is confusing to some Participants, particularly new Participants, who question the functionality of this order type. Further, the Exchange believes that the proposal removes impediments to and perfects the mechanism of a free and open market by simplifying the Exchanges rules, ensuring that Participants, regulators and the public can more easily navigate the Exchange's rulebook and better understand the order types available for trading on the Exchange.

As such, BOX believes the proposed rule change is in the public interest, and therefore, consistent with the Act.

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

The proposed rule change would allow the Exchange to remove an obsolete order type that has been replaced by a more efficient and

functional order type. As such, 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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act²⁵ and Rule 19b-4(f)(6) thereunder.²⁶ 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 prior to 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 Act²⁷ and Rule 19b-4(f)(6) thereunder.²⁸

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:

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4(f)(6).

²⁷ 15 U.S.C. 78s(b)(3)(A).

²⁸ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's 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 satisfied 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-2014-05 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.

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For the Commission, by the Division of Trading and Markets, pursuant to delegated authority,²⁹

Elizabeth M. Murphy,
Secretary.

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²⁹ 17 CFR 200.30-3(a)(12).

²³ 15 U.S.C. 78f(b).

²⁴ 15 U.S.C. 78f(b)(5).