

it will make finding such rebates or subsidies easier for all participants. For this same reason the Exchange believes it is also equitable and not unfairly discriminatory.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed change will enhance the competitiveness of the Exchange relative to other exchanges that offer their own front-end order entry system or one they subsidize in some fashion.¹⁸ 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. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)¹⁹ of the Act and subparagraph (f)(2) of Rule 19b-4²⁰ thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)²¹ of the Act to determine whether the proposed rule

change 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:

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-NYSEMKT-2014-12 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-NYSEMKT-2014-12. 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 at 100 F Street NE., Washington, DC 20549-1090 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-NYSEMKT-2014-12, and should be submitted on or before March 12, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71543; File No. SR-BOX-2014-08]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change To Amend BOX Rule 8050 (Market Maker Quotations) To Modify the Quotation Requirement

February 12, 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 February 4, 2014, 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 8050 (Market Maker Quotations) to modify the quotation requirement. 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

¹⁸ See *supra* note 13.

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(2).

²¹ 15 U.S.C. 78s(b)(2)(B).

²² 17 CFR 200.30-3(a)(12).

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 8050 (Market Maker Quotations) to modify the quotation requirement. This is a competitive filing that is based on a proposal submitted by NASDAQ Options Market ("NOM").³

Background

Currently, the Exchange requires that a Market Maker's bid and offer for a series of options contracts shall be accompanied by the number of contracts at that price the Market Maker is willing to buy from or sell to Customers. Every Market Maker bid or offer must have an initial size of at least ten (10) contracts, except for Jumbo SPY Options that must have an initial size of at least one (1) contract.⁴ This initial minimum size applies regardless of whether a Market Maker receives an RFQ message,⁵ is called upon by an Exchange Official to post a quote,⁶ or otherwise.⁷ The initial size of the Market Maker's valid quote may subsequently be depleted in size below the minimum size of ten (10) contracts due to executions with the quote and the quote shall remain valid as long as the Market Maker's quote has not been changed or updated as to price or size. This depleted quote size shall remain valid until (i) the Market Maker's quoted size is completely

exhausted, whereupon the Market Maker must once again post a valid quote with a valid initial size of ten (10) contracts, or (ii) the Market Maker updates or changes the posted quote, whereupon such quote must meet the minimum initial size of ten (10) contracts in order to be deemed valid.

Proposal

The Exchange proposes to lower the Market Maker bid or offer initial size requirement. Specifically, the Exchange proposes to make the required minimum number of contracts for a Market Maker's bid or offer in options one (1) contract. This reduction in the minimum number of contracts for a Market Maker's bid or offer shall apply regardless of whether a Market Maker receives an RFQ message, is called upon by an Exchange official to post a quote, or otherwise. The Exchange notes that a minimum quoting requirement of one (1) contract is not novel and certain exchanges have a minimum quoting requirement of one (1) contract for all classes.⁸ Additionally, certain exchanges set the minimum quoting requirement on a class-by-class basis, provided the minimum set by the exchange is at least one (1) contract.⁹

As part of this proposal the Exchange proposes to remove a portion of IM-8050-1. With the reduction of the minimum quoting requirement from ten (10) contracts to one (1) contract, the portion of IM-8050-1 that deals with the depletion of a Market Maker's initial quote is no longer applicable. This portion of the current IM applied to situations where the size of a Market Maker's quote depletes below the minimum size of ten (10) contracts due to executions with the quote. Once the minimum quoting requirement is one (1) contract, it will no longer be possible for executions to reduce the quote below the minimum size.

Additionally, the Exchange is proposing to remove the current exception for Jumbo SPY Options in Rule 8050(b). This exception sets the minimum initial size of a Market Maker's bid and offer in Jumbo SPY Options at one (1) contract. Now that

the Exchange is proposing to make the minimum initial size of a Market Maker's bid and offer one (1) contract for all series of options, it is no longer necessary to have an exception for Jumbo SPY Options.

The BOX Rules will continue to ensure that Market Makers actively quote. For example, BOX Rule 8050(e) states that, on a daily basis, a Market Maker must during regular market hours make markets and enter into any resulting transactions consistent with the applicable quoting requirements specified in these rules, such that on a daily basis a Market Maker must post valid quotes at least sixty percent (60%) of the time that the classes are open for trading. These obligations will apply to all of the Market Maker's appointed classes collectively, rather than on a class-by-class basis.

The Exchange believes that the efficiency of its market can be enhanced by permitting Market Makers to enter quotations for one (1) or more contracts rather than requiring that they enter quotations for ten (10) or more contracts in series in which they are appointed. The Exchange believes that modifying the quotations requirements in this manner will encourage Market Makers to provide more liquidity to Participants. An overall increase in liquidity will benefit investors and serve the public interest. Additionally, the Exchange believes that modifying these quotations requirements could encourage Market Markets to quote in additional series. By reducing the quoting requirement Market Makers may be more willing to provide quotations in additional series that they would not otherwise quote in due to the risk associated with quoting at a higher number of contracts.

The Exchange believes further that the proposed change to the quoting requirement of Market Makers is pro-competitive in that it will attract more Market Makers, and additional liquidity, onto the Exchange. This should be advantageous to all market participants trading on the Exchange.

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"),¹⁰ in general, and Section 6(b)(5) of the Act,¹¹ 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

³ See Securities Exchange Act Release No. 58305 (August 5, 2008), 73 FR 46696 (August 11, 2008) (Notice of Filing and Immediate Effectiveness of SR-NASDAQ-2008-063).

⁴ See Rule 8050(b).

⁵ If a Market Maker is not already posting a two-sided quote in a series in a class in which he is appointed as Market Maker, he must post an initial valid two-sided quote within three (3) seconds of receiving any RFQ message issued. A valid two-sided quote must be continuously maintained, without interruption for at least thirty (30) seconds. However, if during the 30 second time frame the quote becomes invalid, a Market Maker must as soon as practicable, but within five (5) seconds, post a valid quote. See Rule 8050(c)(2).

⁶ A Market Maker may be called upon by an Exchange Official to submit a single valid two-sided quote in one or more of the series of an options class to which the Market Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of fair and orderly markets. The Market Maker must post the valid quote within three (3) seconds of receiving such message. A valid two-sided quote must be continuously maintained, without interruption by the Market Maker for at least thirty (30) seconds. However, if during the thirty (30) second time frame the quote becomes invalid, a Market Maker must as soon as practicable, but within five (5) seconds, post a valid quote. See Rule 8050(c)(4).

⁷ See IM-8050-1 to Rule 8050.

⁸ See NASDAQ Options Market ("NOM") Rule Chapter VII, Sec. 6(a), NASDAQ OMX BX ("BX") Rule Chapter VII, Sec. 6 (Market Maker Quotations) and BATS Exchange, Inc. ("BATS") Rule 22.6 (Market Maker Quotations).

⁹ See Miami International Securities Exchange, LLC ("MIAX") Rule 604 (Market Maker Quotations), International Securities Exchange, LLC ("ISE") Rule 804 (Market Maker Quotations), NASDAQ OMX PHLX LLC ("Phlx") Rule 1014 (Obligations and Restrictions Applicable to Specialists and Registered Options Traders) and Chicago Board Options Exchange, Incorporated ("CBOE") Rules 6.2B, 8.7, 8.14 and 8.15A.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

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. The proposed changes are consistent with the statute in that they are designed to facilitate transactions in options on BOX by encouraging participants to provide liquidity through BOX. If the proposal succeeds in attracting additional liquidity providers and additional liquidity, then BOX will then match more buying and selling interest between and among all BOX Participants.

The Exchange believes that the proposal conforms Market Maker quotation requirements to those of competing markets and will promote the application of consistent trading practices. Therefore, the Exchange believes the proposal promotes just and equitable principles of trade and serves to protect investors and the public interest.

The Exchange believes the proposal will allow Market Makers on the Exchange to follow rules that are similar to the rules of other options exchanges that do not impose a minimum quoting obligation of ten (10) contracts on their market makers, and will allow Market Makers to focus on aspects of their operations that contribute to the market in a more efficient and meaningful way.

Additionally, the Exchange believes the proposal removes a quoting requirement that is unnecessary, as evidenced by the fact that it does not exist on other competitive markets. The Exchange operates in a highly competitive market comprised of twelve U.S. options exchanges in which sophisticated and knowledgeable market participants can, and do, send order flow to competing exchanges if they deem trading practices at a particular exchange to be onerous or cumbersome. With this proposal, the Market Maker will be relieved of a market maker requirement that does not materially improve the quality of the markets. On the contrary, the initial size requirement of at least (10) contracts creates a burden on Market Makers that does not exist on numerous other competitive markets.

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. In this regard and as indicated above, the Exchange

notes that the rule change is being proposed as a competitive response to a filing submitted by NOM.¹² The Exchange believes the proposal to reduce the minimum quoting requirement for Market Makers from ten (10) contracts to one (1) contract is consistent with the market maker obligations on other option exchanges. The Exchange believes that its proposal is pro-competitive and should serve to attract market making activity and increase liquidity on the Exchange, which will benefit all Participants.

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 Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴ 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 Act¹⁵ and Rule 19b-4(f)(6) thereunder.¹⁶

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 email to rule-comments@sec.gov. Please include File Number SR-BOX-2014-08 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-2014-08. 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-2014-08 and should be submitted on or before March 12, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O'Neill,
Deputy Secretary.

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¹² See *supra*, note 3.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 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.

¹⁷ 17 CFR 200.30-3(a)(12).