

a year for a total of 232,448,548 responses. We estimate that the total annual reporting burden for Rule 173 is 3,881,891 hours (0.0167 hours per response × 232,448,548 responses).

Written comments are invited on: (a) Whether this proposed collection of information is necessary for the performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden imposed by the collections of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Please direct your written comment to David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o Cynthia Roscoe, 100 F Street NE, Washington, DC 20549 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: August 13, 2020.

**J. Matthew DeLesDernier**,  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-89537; File No. SR-BOX-2020-16]

### Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Amendment No. 1 and Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, in Connection With the Proposed Establishment of the Boston Security Token Exchange LLC as a Facility of the Exchange

August 12, 2020.

On May 12, 2020, BOX Exchange LLC (“Exchange” or “BOX”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act

of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change in connection with the proposed commencement of operations of the Boston Security Token Exchange LLC (“BSTX”) as a facility of the Exchange. The proposed rule change was published for comment in the **Federal Register** on June 1, 2020.<sup>3</sup> On July 16, 2020, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> On August 3, 2020, the Exchange filed Amendment No. 1 to the proposed rule change (“Amendment No. 1”).<sup>6</sup> The Commission has received no comment letters on the proposed rule change, as modified by Amendment No. 1.<sup>7</sup>

The Commission is publishing this notice and order to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons and to institute proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>8</sup> to determine whether to approve

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 88949 (May 26, 2020), 85 FR 33258 (June 1, 2020) (“Notice”).

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 89329 (July 16, 2020), 85 FR 44333 (July 22, 2020). The Commission designated August 30, 2020, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

<sup>6</sup> The Exchange states that Amendment No. 1 makes the following changes: (1) Where the proposed rule change used the term “digital security token,” the Exchange is now proposing to use the term “security” when referring to the proposed operation of the “BSTX Market”; (2) provide additional detail and clarification on the effect of BSTX’s approval as a facility of the Exchange; and (3) update citations related to two Exchange rule filings. When the Exchange filed Amendment No. 1 to SR-BOX-2020-16, it also submitted a redline, which the Exchange states reflects the text of the partial amendment compared to the original filing, as a comment letter to the filing, and which the Commission made publicly available at <https://www.sec.gov/comments/sr-box-2020-16/srbox202016-7525322-222100.pdf>.

<sup>7</sup> The Commission notes that the proposed rule change, as modified by Amendment No. 1, is substantially similar to previously-filed proposed rule change, SR-BOX-2019-37, which was published for comment in the **Federal Register** on January 3, 2020. See Securities Exchange Act Release No. 87868 (December 30, 2019), 85 FR 345 (January 3, 2020) (SR-BOX-2019-37) (Notice of Filing of Proposed Rule Change).

BOX withdrew proposed rule change SR-BOX-2019-37 on May 12, 2020. See Securities Exchange Act Release No. 89017 (June 4, 2020), 85 FR 35473 (June 10, 2020) (Notice of Withdrawal of a Proposed Rule Change).

Comments on SR-BOX-2019-37 can be found at <https://www.sec.gov/comments/sr-box-2019-37/srbox201937.htm>.

<sup>8</sup> 15 U.S.C. 78s(b)(2)(B).

or disapprove the proposed rule change, as modified by Amendment No. 1.

### I. Summary of the Proposal, as Modified by Amendment No. 1

As described in the Notice, as modified by Amendment No. 1,<sup>9</sup> the Exchange proposes to establish BSTX as a facility (as defined in Section 3(a)(2) of the Act) of the Exchange that will operate a market for the trading of securities (the “BSTX Market”) and adopt the Second Amended and Restated Limited Liability Company Agreement of BSTX (the “BSTX LLC Agreement”) for BSTX as a facility of the Exchange.<sup>10</sup> The Exchange states that it has filed trading rules as part of a separate proposed rule change, and subject to Commission approval of those rules, BSTX would operate the BSTX Market.<sup>11</sup> The Exchange states that without Commission approval of the trading rules, it would not permit BSTX to commence operations of the BSTX Market, and that the Exchange’s regulatory oversight responsibilities with respect to BSTX would not be triggered unless SR-BOX-2020-16 is approved by the Commission.<sup>12</sup>

The Exchange states that ownership interests in BSTX are represented by two classes of units (“Units”): Class A Units, which represent equal units of limited liability interest in BSTX, including an interest in the ownership and profits and losses of BSTX and the right to receive distributions from BSTX as set forth in the BSTX LLC Agreement (“Class A Units”); and Class B Units, which are identical to Class A Units, except that they do not have the right to vote on any matter related to BSTX (“Class B Units”).<sup>13</sup> According to the Exchange: (1) 50% of the voting Class A Units are owned by BOX Digital, which is 98% owned by BOX Holdings Group

<sup>9</sup> See Notice, *supra* note 3; Amendment No. 1, *supra* note 6.

<sup>10</sup> See Amendment No. 1, *supra* note 6, at 3-4; Notice, *supra* note 3, at 33258. The proposed Boston Security Token Exchange LLC, Second Amended and Restated Limited Liability Company Agreement, dated as of December 20, 2019 (“BSTX LLC Agreement”) is attached as Exhibit 5A to the Form 19b-4 for SR-BOX-2020-16 (available on the Commission’s website at <https://www.sec.gov/rules/sro/box/2020/34-88949-ex5a.pdf>).

<sup>11</sup> See Amendment No. 1, *supra* note 6, at 4 (citing Securities Exchange Act Release No. 88946 (May 26, 2020), 85 FR 33454 (June 1, 2020) (SR-BOX-2020-14), as amended by Amendment No. 1 (filed on July 31, 2020)).

<sup>12</sup> See *id.* at 4.

<sup>13</sup> See Notice, *supra* note 3, 85 FR at 33259, nn.10-12 and accompanying text. According to the Exchange, Class B Units will automatically convert to an equal number of Class A Units upon the sale or transfer of a majority of the Class A Units or majority of the assets of BSTX, directly or indirectly, to any party or group of related parties. See *id.* at 33259-60, n.13.

LLC (“BOX Holdings”) and 2% owned by Lisa Fall;<sup>14</sup> and (2) the other 50% of the voting Class A Units are owned by tZERO, which is 80.07% owned by Medici Ventures, Inc. (“Medici”), a wholly owned subsidiary of a publicly held corporation, Overstock.com, Inc. (“Overstock”), and 19.93% owned by individuals and companies.<sup>15</sup> BOX Holdings is (1) 42.63% owned by MX US 2, Inc., which is 100% owned by MX US 1, Inc., a wholly owned subsidiary of Bourse de Montreal, Inc., which in turn is a wholly owned subsidiary of TMX Group Limited (“TMX”); (2) 22.69% owned by IB Exchange Corp.; and (3) 34.68% owned by seven separate, unaffiliated owners.<sup>16</sup> According to the Exchange, BOX Digital and tZERO each have over a 45% economic interest in BSTX, and the non-voting Class B Units are held by various employees and directors of BSTX, each of whom hold less than a 5% economic interest in BSTX.<sup>17</sup> The Exchange also states that BSTX is an affiliate of the Exchange and, if approved as an affiliate of the Exchange, will be subject to regulatory oversight by the Exchange,<sup>18</sup> and that tZERO and BSTX are affiliates of Overstock.<sup>19</sup>

The Exchange states that BOX Holdings wholly owns BOX Options Market LLC (“BOX Options”), which is a facility of the Exchange<sup>20</sup> and the only facility that the Exchange currently operates.<sup>21</sup> The Exchange notes that the BSTX LLC Agreement provisions are generally the same as provisions of the BOX Options LLC Agreement or the BOX Holdings LLC Agreement, with certain exceptions.<sup>22</sup> The Exchange states that it will enter into a facility agreement with BSTX (“Facility Agreement”) pursuant to which the Exchange will exercise regulatory

oversight over BSTX.<sup>23</sup> Furthermore, the Exchange has entered into an IP License and Services Agreement (“LSA”) with tZERO,<sup>24</sup> under which tZERO will provide BSTX and the Exchange with a license to use its intellectual property that comprises the BSTX trading system and services related to, among other things, implementing and maintain the trading system.<sup>25</sup>

Holders of Units are referred to as LLC Members,<sup>26</sup> and a record of the LLC Members will be maintained by the Secretary of BSTX and updated from time to time, which shall include the name and address of each LLC Member and the number of Units of each class held by each LLC Member.<sup>27</sup> The Exchange proposes that a person would become an additional or substitute LLC Member of BSTX only upon that person’s execution of a counterpart of the BSTX LLC Agreement to evidence that person’s written acceptance of the terms and provisions of the BSTX LLC Agreement.<sup>28</sup> According to the Exchange, the Commission would be notified if an LLC Member’s ownership interest in BSTX, alone or together with any related person of that LLC Member, meets or exceeds 5%, 10%, or 15%, and the BSTX LLC Agreement provides that any “Transfer” that results in the acquisition and holding by any person, alone or together with its related persons, of an ownership interest that meets or crosses 20% or any subsequent 5% increment, would be subject to the rule filing process pursuant to Section 19 of the Act.<sup>29</sup>

Pursuant to the BSTX LLC Agreement, a Controlling Person that establishes a

Controlling Interest<sup>30</sup> in an LLC Member that holds equal to or greater than a 20% ownership interest in BSTX will be required to become a party to the BSTX LLC Agreement, by executing an instrument of accession, and abide by its provisions to the same extent as if they were LLC Members.<sup>31</sup> The Exchange also states that these amendments to the BSTX LLC Agreement will be subject to the rule filing process pursuant to Section 19 of

<sup>30</sup> “Controlling Person” is defined as “a Person who, alone or together with any Related Persons of such Person, holds a Controlling Interest in [an LLC] Member.” “Controlling Interest” is defined as “the direct or indirect ownership of 25% or more of the total voting power of all equity securities of [an LLC] Member . . . by any Person, alone or together with any Related Persons of such Person.” See BSTX LLC Agreement, *supra* note 10, Section 7.4(g)(v)(A)–(B). “Related Person” is defined as “with respect to any Person: (A) any Affiliate of such Person; (B) any other Person with which such first Person has any agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of Interests; (C) in the case of a Person that is a company, corporation or similar entity, any executive officer (as defined under Rule 3b–7 under the Exchange Act) or director of such Person and, in the case of a Person that is a partnership or limited liability company, any general partner, managing member or manager of such Person, as applicable; (D) in the case of any BSTX Participant who is at the same time a broker-dealer, any Person that is associated with the BSTX Participant (as determined using the definition of ‘person associated with a member’ as defined under Section 3(a)(21) of the Exchange Act); (E) in the case of a Person that is a natural person and a BSTX Participant, any broker or dealer that is also a BSTX Participant with which such Person is associated; (F) in the case of a Person that is a natural person, any relative or spouse of such Person, or any relative of such spouse who has the same home as such Person or who is a director or officer of the Exchange or any of its parents or subsidiaries; (G) in the case of a Person that is an executive officer (as defined under Rule 3b–7 under the Exchange Act) or a director of a company, corporation or similar entity, such company, corporation or entity, as applicable; and (H) in the case of a Person that is a general partner, managing member or manager of a partnership or limited liability company, such partnership or limited liability company, as applicable.” See *id.* Section 1.1. “Person” and “BSTX Participant” are also defined in Section 1.1 of the BSTX LLC Agreement.

<sup>31</sup> See Notice, *supra* note 3, 85 FR at 33260, 33267; BSTX LLC Agreement, *supra* note 10, Section 7.4(g). The proposed Form of Instrument of Accession to Boston Security Token Exchange LLC, Amended and Restated Limited Liability Company Agreement is attached as Exhibit 5B to the Form 19b–4 for SR–BOX–2020–16 (available on the Commission’s website at <https://www.sec.gov/rules/sro/box/2020/34-88949-ex5b.pdf>). The Exchange specifically notes that Medici, Overstock, BOX Digital, BOX Holdings, MX US 1, Inc., MX US 2, Inc., Bourse de Montreal, Inc., and TMX would be required to execute an instrument of accession substantially in the form attached as Exhibit 5B. See Notice, *supra* note 3, 85 FR at 33260.

Pursuant to Section 7.4(g)(iii) of the BSTX LLC Agreement, “a Person shall not be required to execute an amendment to [the BSTX LLC Agreement] . . . if such Person does not, directly or indirectly, hold any interest in [an LLC] Member.” BSTX LLC Agreement, *supra* note 10, Section 7.4(g)(iii).

<sup>14</sup> See *id.* at 33260. Lisa Fall is the Chief Executive Officer of BSTX and President of the Exchange. See BSTX LLC Agreement, *supra* note 10, Signature Page.

<sup>15</sup> See Notice, *supra* note 3, 85 FR at 33260. One individual holds 7.53% of the outstanding shares of tZERO, and Newer Ventures LLC, SpeedRoute Technologies Inc., Dinosaur Financial, and 28 individuals each own less than 3% of the outstanding shares of tZERO. See *id.*

<sup>16</sup> See *id.* The following entities each hold less than 15% of the outstanding units of BOX Holdings: Citadel Securities Principal Investments LLC, Citigroup Financial Products Inc., UBS Americas Inc., CSFB Next Fund Inc., LabMorgan Corp., Wolverine Trading, LLC, and Aragon Solutions Ltd. See *id.*

<sup>17</sup> See *id.* at 33260.

<sup>18</sup> See *id.* at 33259; Amendment No. 1, *supra* note 6, at 4.

<sup>19</sup> See Notice, *supra* note 3, 85 FR at 33260.

<sup>20</sup> See *id.* at 33259.

<sup>21</sup> See *id.* at 33259, n.4; Amendment No. 1, *supra* note 6, at 5.

<sup>22</sup> See Notice, *supra* note 3, 85 FR at 33259, n.8 and accompanying text.

<sup>23</sup> See *id.* at 33259. The Exchange will also provide certain business services to BSTX pursuant to an administrative services agreement. See *id.*

<sup>24</sup> See *id.* at 33261.

<sup>25</sup> See *id.* at 33266. The Facility Agreement, administrative services agreement, and LSA were not provided as exhibits to the proposal.

<sup>26</sup> “LLC Members” are duly admitted holders of BSTX Units and would include any person later admitted to BSTX as an additional or substitute LLC Member as provided by the BSTX LLC Agreement. See *id.* at 33260; BSTX LLC Agreement, *supra* note 10, Section 1.1.

<sup>27</sup> See Notice, *supra* note 3, 85 FR at 33260, n.14 and accompanying text; BSTX LLC Agreement, *supra* note 10, Section 1.1.

<sup>28</sup> See Notice, *supra* note 3, 85 FR at 33266; BSTX LLC Agreement, *supra* note 10, Section 7.1(b).

<sup>29</sup> See Notice, *supra* note 3, 85 FR at 33267; BSTX LLC Agreement, *supra* note 10, Section 7.4(e) and (f). The term “Transfer” is defined in Section 7.1(a) of the BSTX LLC Agreement, and excludes “(i) transfers among [LLC] Members. (ii) transfers to any Person directly or indirectly owning, controlling or holding with power to vote all of the outstanding voting securities of and equity beneficial interests in such [LLC] Member, or (iii) any Person that is a wholly owned Affiliate of such [LLC] Member.” See BSTX LLC Agreement, *supra* note 10, Section 7.1(a); Notice, *supra* note 3, 85 FR at 33266.

the Act.<sup>32</sup> The Exchange further proposes that any BSTX Participant that directly or indirectly together with its Related Persons holds more than 20% of BSTX would have its voting power capped at 20%.<sup>33</sup> According to the Exchange, this limitation is designed to prevent a market participant from exerting undue influence on an Exchange facility.<sup>34</sup>

The Exchange states that the BSTX LLC Agreement includes provisions that ensure that the Exchange has full regulatory control over BSTX and these provisions are designed to prevent any owner of BSTX from having undue influence over regulatory actions.<sup>35</sup> The BSTX LLC Agreement provides that BSTX's board of directors ("Board") will consist of six directors, comprised of (1) two directors appointed by each of BOX Digital and tZERO (the "Member Directors"); (2) one director appointed by the unanimous vote of the Member Directors (the "Independent Director"); and (3) one non-voting director appointed by the Exchange ("the "Regulatory Director").<sup>36</sup> The Exchange states that BSTX will have an Independent Director to avoid either BOX Digital or tZERO from controlling or creating deadlock on the Board.<sup>37</sup> The Exchange also states that BSTX's Board structure differs from that of BOX Options because BOX Options, as a wholly-owned subsidiary of BOX Holdings, has the same directors as BOX Holdings, and BOX Holdings, unlike BSTX, has no owners with 50% or greater ownership.<sup>38</sup>

Generally, actions by the Board will be considered effective only if approved by at least a majority of the votes entitled to vote on that action.<sup>39</sup> The Board must approve, by an affirmative vote of the Member Directors, any "major action," which will include, among other things, changes to operating the BSTX Market using any software system other than the BSTX trading system, except as otherwise provided in the LSA or to the extent otherwise required by the Exchange to fulfill its regulatory functions or

responsibilities or to oversee the BSTX Market as determined by the board of the Exchange.<sup>40</sup> The BSTX LLC Agreement also provides that the Exchange shall receive notice of planned or proposed changes to BSTX, with the exception of certain changes not related to the operation of the market, or to the BSTX Market, and that such changes will require affirmative approval by the Exchange before implementation.<sup>41</sup> If the Exchange determines that planned or proposed changes could cause a regulatory deficiency, the Exchange may direct BSTX, subject to Board approval, to modify the proposal as necessary.<sup>42</sup>

The Exchange also proposes how regulatory funds may be allocated. The Exchange states that, pursuant to the Facility Agreement, the Exchange will have the right to receive all fees, fines, and disgorgements imposed upon BSTX Participants with respect to BSTX's trading system ("Regulatory Funds") and all other market data fees, tape, and other revenue ("Non-regulatory Funds"), and all Regulatory Funds and Non-regulatory Funds collected in respect to BSTX may be used by the Exchange, at its sole discretion, for regulatory purposes.<sup>43</sup> Furthermore, all Regulatory Funds collected by the Exchange will be retained by the Exchange and not transferred to BSTX; however, Non-regulatory Funds collected may be transferred to BSTX after the Exchange has made adequate provisions for all regulatory purposes.<sup>44</sup>

The proposal includes provisions regarding capital contributions and distributions. According to the Exchange, capital contributions will be reflected on the books and records of BSTX.<sup>45</sup> The BSTX LLC Agreement does not specify the capital contributions from BOX Digital and tZERO, or any other LLC Member. Pursuant to the proposed BSTX LLC Agreement, BOX Digital will provide executive leadership and exclusive rights to the regulatory services of the Exchange with

respect to BSTX Products<sup>46</sup> and tZERO will provide the license and services set forth in the LSA and will make the necessary arrangements with any applicable third parties which will permit BSTX to be an authorized sublicensee of any required third-party software necessary for trading on BSTX.<sup>47</sup> The BSTX LLC Agreement also includes provisions regarding determinations of capital needs by the Board, including, among others, the requirement that at least one Member Director appointed by each LLC Member affirmatively vote to raise capital;<sup>48</sup> potential cash distributions;<sup>49</sup> and allocation of profits, losses, and credits for each fiscal year to LLC Members at least once annually on a pro rata basis.<sup>50</sup>

The proposal also includes provisions regarding the regulation of BSTX and regulatory jurisdiction over LLC Members of BSTX.<sup>51</sup> Specifically, the BSTX LLC Agreement provides that the Exchange has the authority to act as the self-regulatory organization ("SRO") for BSTX, will provide the regulatory framework for the BSTX Market, and will have regulatory responsibility for the activities of the BSTX Market.<sup>52</sup> Additionally, the BSTX LLC Agreement includes provisions, which the Exchange states are substantively similar to provisions in the BOX Options LLC Agreement, that address the handling of confidential information, both pertaining to regulatory matters and otherwise.<sup>53</sup> The BSTX LLC Agreement also contains provisions, which the Exchange states

<sup>46</sup> See BSTX LLC Agreement, *supra* note 10, Section 3.2(c).

<sup>47</sup> See *id.* Section 3.2(b); Notice, *supra* note 3, 85 FR at 33266.

<sup>48</sup> See Notice, *supra* note 3, 85 FR at 33265; BSTX LLC Agreement, *supra* note 10, Section 6.2. The Exchange states that the requirement concerning the affirmative vote of one Member Director appointed by each LLC Member is not present in the BOX Options LLC Agreement, but that the Exchange believes that this provision promotes commercial fairness and is necessary due to the differing ownership structure of BSTX. See Notice, *supra* note 3, 85 FR at 33265.

<sup>49</sup> See BSTX LLC Agreement, *supra* note 10, Section 8.1.

<sup>50</sup> See *id.* Section 9.1.

<sup>51</sup> See Notice, *supra* note 3, 85 FR at 33268–70.

<sup>52</sup> See *id.* at 33268; BSTX LLC Agreement, *supra* note 10, Section 3.2. The Exchange states that Section 3.2 of the BSTX LLC Agreement ensures that the Exchange has full regulatory control over BSTX and is designed to prevent any owner of BSTX from exercising undue influence over the regulated activities of BSTX. See Notice, *supra* note 3, 85 FR at 33265.

<sup>53</sup> See Notice, *supra* note 3, 85 FR at 33268–69; BSTX LLC Agreement, *supra* note 10, Article 15. The BSTX LLC Agreement contains additional language to make it clear that the Commission can access and examine confidential information pursuant to federal securities laws and rules. See Notice, *supra* note 3, 85 FR at 33268; BSTX LLC Agreement, *supra* note 10, Section 15.5.

<sup>32</sup> See Notice, *supra* note 3, 85 FR at 36227; BSTX LLC Agreement, *supra* note 10, Section 7.4(g)(iv).

<sup>33</sup> See Notice, *supra* note 3, 85 FR at 33260; BSTX LLC Agreement, *supra* note 10, Section 7.4(h).

<sup>34</sup> See Notice, *supra* note 3, 85 FR at 33260.

<sup>35</sup> See *id.* at 33259.

<sup>36</sup> See *id.* at 33262; BSTX LLC Agreement, *supra* note 10, Section 4.1(a). The Exchange states that the Regulatory Director must be a member of senior management of the regulation staff of the Exchange. See Notice, *supra* note 3, 85 FR at 33262. See also BSTX LLC Agreement, *supra* note 10, Section 1.1.

<sup>37</sup> See Notice, *supra* note 3, 85 FR at 33262.

<sup>38</sup> See *id.*

<sup>39</sup> See *id.*; BSTX LLC Agreement, *supra* note 10, Section 4.3.

<sup>40</sup> See Notice, *supra* note 3, 85 FR at 33262–63; BSTX LLC Agreement, *supra* note 10, Section 4.4(a).

<sup>41</sup> See Notice, *supra* note 3, 85 FR at 33264; BSTX LLC Agreement, *supra* note 10, Section 3.2(a)(ii).

<sup>42</sup> See Notice, *supra* note 3, 85 FR at 33264; BSTX LLC Agreement, *supra* note 10, Section 3.2(a)(iii).

<sup>43</sup> See Notice, *supra* note 3, 85 FR at 33264. If BSTX incurs costs and expenses for regulatory purposes, the Exchange may reimburse BSTX using Regulatory Funds. See *id.* at 33264. In the event that the Exchange does not hold sufficient funds to meet all regulatory purposes, BSTX will reimburse the Exchange for any such additional costs and expenses. See *id.* The BSTX LLC Agreement does not include provisions regarding Regulatory Funds.

<sup>44</sup> See *id.* at 33264–65.

<sup>45</sup> See *id.* at 33266; BSTX LLC Agreement, *supra* note 10, Section 6.1.

are substantially similar to those of the BOX Options LLC Agreement, related to regulatory jurisdiction over LLC Members;<sup>54</sup> the maintenance of books and records;<sup>55</sup> and the independence of the self-regulatory function of the Exchange and compliance with federal securities laws.<sup>56</sup>

The Exchange also states that it submitted a separate filing to introduce structural changes to the Exchange to accommodate regulation of BSTX as well as BOX Options, which was approved by the Commission.<sup>57</sup> According to the Exchange, BSTX Participants will have the same representation, rights, and responsibilities as BOX Options Participants.<sup>58</sup>

## II. Proceedings To Determine Whether To Approve or Disapprove SR-BOX-2020-16, as Modified by Amendment No. 1, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>59</sup> to determine whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide additional comment on the proposed rule change to inform the Commission's analysis of whether to approve or disapprove the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>60</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(1) of the Act, which requires that a national securities exchange be so organized and have the capacity to be

able to carry out the purposes of the Act and to comply, and enforce compliance by its members and persons associated with its members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the exchange.<sup>61</sup> In addition, the Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(3) of the Act, which requires that the rules of a national securities exchange assure a fair representation of its members in the selection of its directors and administration of its affairs and provide that one or more directors shall be representative of issuers and investors and not be associated with a member of the exchange, broker, or dealer;<sup>62</sup> and Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.<sup>63</sup>

Under the Commission's Rules of Practice, the "burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder . . . is on the [SRO] that proposed the rule change."<sup>64</sup> The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>65</sup> and any failure of an SRO to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Act and the applicable rules and regulations.<sup>66</sup>

The Commission is instituting proceedings to allow for additional consideration and comment on the issues raised herein, including as to

whether the proposal, as modified by Amendment No. 1, is consistent with the Act.

## III. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal, as modified by Amendment No. 1, is consistent with Sections 6(b)(1),<sup>67</sup> 6(b)(3),<sup>68</sup> and 6(b)(5)<sup>69</sup> of the Act or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,<sup>70</sup> any request for an opportunity to make an oral presentation.<sup>71</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposal, as modified by Amendment No. 1, should be approved or disapproved by September 8, 2020. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by September 22, 2020. The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in the Notice,<sup>72</sup> as modified by Amendment No. 1,<sup>73</sup> in addition to any other comments they may wish to submit about the proposed rule change.

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

<sup>67</sup> 15 U.S.C. 78f(b)(1).

<sup>68</sup> 15 U.S.C. 78f(b)(3).

<sup>69</sup> 15 U.S.C. 78f(b)(5).

<sup>70</sup> 17 CFR 240.19b-4.

<sup>71</sup> Section 19(b)(2) of the Act, as amended by the Securities Act Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Act Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

<sup>72</sup> See Notice, *supra* note 3.

<sup>73</sup> See Amendment No. 1, *supra* note 6.

<sup>54</sup> See Notice, *supra* note 3, 85 FR at 33269; BSTX LLC Agreement, *supra* note 10, Sections 11.1, 18.6(a), 18.6(c).

<sup>55</sup> See Notice, *supra* note 3, 85 FR at 33269; BSTX LLC Agreement, *supra* note 10, Section 11.1.

<sup>56</sup> See Notice, *supra* note 3, 85 FR at 33261-62, 33264; BSTX LLC Agreement, *supra* note 10, Section 4.12.

<sup>57</sup> See Notice, *supra* note 3, 85 FR at 33259; Amendment No. 1, *supra* note 6, at 5 (citing Securities Exchange Act Release No. 88934 (May 22, 2020), 85 FR 32085 (May 28, 2020)).

<sup>58</sup> See Notice, *supra* note 3, 85 FR at 33259.

<sup>59</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>60</sup> *Id.*

<sup>61</sup> 15 U.S.C. 78f(b)(1).

<sup>62</sup> 15 U.S.C. 78f(b)(3).

<sup>63</sup> 15 U.S.C. 78f(b)(5).

<sup>64</sup> 17 CFR 201.700(b)(3).

<sup>65</sup> See *id.*

<sup>66</sup> See *id.*

• Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2020-16 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-2020-16. 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 (<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 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 10:00 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2020-16 and should be submitted by September 8, 2020. Rebuttal comments should be submitted by September 22, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>74</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-824; OMB Control No. 3235-0555]

### Proposed Collection; Comment Request

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

*Extension:* Rule 608

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the existing collection of information provided for in Rule 608 (17 CFR 242.608) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 608 specifies procedures for filing or amending national market system plans ("NMS Plans"). Self-regulatory organizations ("SROs") filing a new NMS Plan must submit the text of the NMS Plan to the Commission, along with a statement of purpose, and, if applicable, specified supporting materials that may include: (1) A copy of all governing or constituent documents, (2) a description of the manner in which the NMS Plan, and any facility or procedure contemplated by the NMS Plan, will be implemented, (3) a listing of all significant phases of development and implementation contemplated by the NMS Plan, including a projected completion date for each phase, (4) an analysis of the competitive impact of implementing the NMS Plan, (5) a description of any written agreements or understandings between or among plan participants or sponsors relating to interpretations of the NMS Plan or conditions for becoming a plan participant or sponsor, and (6) a description of the manner in which any facility contemplated by the NMS Plan shall be operated. Participants or sponsors to the NMS Plan must ensure that a current and complete version of the NMS Plan is posted on a designated website or a plan website after being notified by the Commission that the NMS Plan is effective. Each plan participant or sponsor must also provide a link on its own website to the current version of the NMS Plan.

The Commission estimates that the creation and submission of a new NMS

Plan and any related materials would result in an average aggregate burden of approximately 850 hours per year (25 SROs × 34 hours = 850 hours). The Commission further estimates an average aggregate burden of approximately 125 hours per year (25 SROs × 5 hours = 125 hours), for each of the SROs to keep a current and complete version of the NMS Plan posted on a designated website or a plan website, and to provide a link to the current version of the NMS Plan on its own website. In addition, the Commission estimates that the creation of a new NMS Plan and any related materials would result in an average aggregate cost of approximately \$150,000 per year (25 SROs × \$6,000 = \$150,000).

SROs proposing to amend an existing NMS Plan must submit the text of the amendment to the Commission, along with a statement of purpose, and, if applicable, the supporting materials described above, as well as a statement that the amendment has been approved by the plan participants or sponsors in accordance with the terms of the NMS Plan. Participants or sponsors to the NMS Plan must ensure that any proposed amendments are posted to a designated website or a plan website after filing the amendments with the Commission and that those websites are updated to reflect the current status of the amendment and the NMS Plan. Each plan participant or sponsor must also provide a link on its own website to the current version of the NMS Plan. The Commission estimates that the creation and submission of NMS Plan amendments and any related materials would result in an average aggregate burden of approximately 11,050 hours per year (25 SROs × 442 hours = 11,050 hours). The Commission further estimates an average aggregate burden of approximately 124 hours per year (25 SROs × 4.94 hours = 123.5 hours rounded up to 124) for SROs to post any pending NMS Plan amendments to a designated website or a plan website and to update such websites to reflect the current status of the amendment and the NMS Plan. In addition, the Commission estimates that the creation of a NMS Plan amendment and any related materials would result in an average aggregate cost of approximately \$325,000 per year (25 SROs × \$13,000 = \$325,000).

Finally, to the extent that a plan processor is required for any facility contemplated by a NMS Plan, the plan participants or sponsors must file with the Commission a statement identifying the plan processor selected, describing the material terms under which the plan

<sup>74</sup> 17 CFR 200.30-3(a)(57).