

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-69909; File No. SR-BOX-2013-35]

**Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Exchange Fee Schedule To Update and Clarify Certain Fees Assessed Under Section V (Technology Fees)**

July 2, 2013.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 1, 2013, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Exchange Fee Schedule to update and clarify certain fees assessed under Section V (Technology Fees) on the BOX Market LLC (“BOX”) options facility. Changes to the fee schedule pursuant to this proposal will be effective upon filing. 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 Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

**1. Purpose**

The Exchange proposes to amend the Fee Schedule for trading on BOX to update and clarify the technology fees that are assessed on market participants. The Exchange currently organizes Section V (Technology Fees) into two sections; a Point of Presence (“PoP”) Connection Fee under Section V.A., and a Back Office Trade Management Software (“TMS”) Fee under Section V.B. The Exchange proposes to rename Section V.A. “Connectivity Fees” and replace the text in Section V.A. with text that clarifies how these fees are assessed. Further, the Exchange proposes to remove Section V.B. from the BOX Fee Schedule.

Section V.A, currently titled “PoP Connection Fee”, was created to detail the fees applicable to Participants who connected to the BOX market network at PoP sites. These sites are owned and

operated by third-party external vendors, and the fees listed in this section were meant to encompass what fees could be charged based on each Participant’s particular configuration. These fees could either be billed directly to the Participant by the vendor, or passed through to the Participant by BOX. Currently, in practice, a vast majority of Participants are billed directly by the vendor.

The Exchange is proposing to rename Section V.A. “Connectivity Fees” and replace the text in Section V.A. with text that clarifies the fees applicable to all market participants that connect to the BOX network. Specifically, the Exchange proposes to state that market participants are required to connect to the BOX network (including cross-connects),<sup>5</sup> through datacenters owned and operated by third-party vendors. The Exchange also proposes to state that while BOX does not assess Connectivity Fees; these fees are assessed by the datacenters and will be billed directly to the market participant. BOX will no longer be responsible for passing through any of these fees. Connectivity fees can include one-time set-up fees, monthly charges, and other fees charged by the third-party vendor in exchange for the services provided to the market participant. The Exchange notes that this proposal does not change any of the fees currently assessed by third party vendors on market participants connecting to BOX, but rather clarifies how they will be billed.

The Exchange then proposes to detail the two datacenters where market participants may connect to the BOX network: NY4, owned and operated by Equinix; and 65 Broadway, owned and operated by 365 Main; and the connectivity fees applicable, depending upon connection type, in the table set forth below (and included in the proposed Section V.A.).

Connection Type	NY4		65 Broadway	
	One-time set-up	Monthly	One-time set-up	Monthly
POTS .....	\$100	\$25	\$50	\$25
Ethernet .....	N/A	N/A	250	225
T1 .....	500	100	N/A	N/A
Cat 5/6 .....	500	245	250	225
COAX .....	500	245	250	200
Single & Multi Mode Fiber .....	500	350	325	500
Extended Cross Connect .....	850	1000	N/A	N/A

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

<sup>5</sup> A “cross connect” occurs when the affected third-party system is located at the same datacenter

site where BOX systems are located, and the third-party connects to BOX through the datacenter.

The Exchange believes the proposed changes to Section V.A. will more accurately explain the costs of connecting to the Exchange.

Further, the Exchange is proposing to remove Section V.B. "Back Office Trade Management Software ("TMS")" from the Fee Schedule. The TMS Software is optional software to which BOX Participants may subscribe in order to manage their post trade data. The Exchange currently charges a monthly per user fee, depending upon the number of users per Participant.

The Exchange proposes to remove Section V.B. and offer TMS Software to all BOX Participants at no cost. The Exchange believes that offering TMS Software at no cost will allow more Participants to subscribe to the service and therefore will give them the opportunity to better manage their trading on the Exchange.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>6</sup> in general, and Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to clarify that connectivity fees are assessed on all market participants that establish connections to BOX through a third-party and that these fees will be billed directly to the market participant. Specifically, the Exchange is proposing to amend the connectivity fee section of the Fee Schedule in a way that is similar to a comparable section of the Miami International Securities Exchange, LLC ("MIAX").<sup>8</sup>

The Exchange believes that the proposed amendments to Section V.A. of the Fee Schedule are reasonable as they do not change any of the fees currently assessed by third party vendors on market participants connecting to BOX, but rather clarify how these fees will be billed.

Further, the Exchange believes that the proposed Connectivity Fees constitute an equitable allocation of fees, and are not unfairly discriminatory, as all similarly situated

market participants are charged the same amount depending on the services they receive.

The Exchange believes that the proposed removal of TMS Software fees is non-discriminatory because it applies equally to all Participants on the Exchange. Further, the Exchange believes that offering the TMS Software at no cost will remove impediments to and better provide for a free and open market. Moreover, the removal of the TMS Software fees is reasonable because it will allow all Participants to access the software at no cost.

### 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. The Exchange believes that the proposed amendments to the Fee Schedule will not impose a burden on competition among various Exchange Participants. The proposed change is designed to provide greater specificity and clarity within the Fee Schedule and does not place any Participants at a disadvantage compared to other Participants. Further, the Exchange does not believe this rule change will have an impact on intermarket competition.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act<sup>9</sup> and Rule 19b-4(f)(2) thereunder,<sup>10</sup> because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2013-35 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-2013-35. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2013-35 and should be submitted on or before July 30, 2013.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>8</sup> See MIAX Options Fee Schedule as of June 1, 2013, available at [http://www.miaxoptions.com/sites/default/files/MIAX\\_Options\\_Fee\\_Schedule\\_06032013.pdf](http://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_06032013.pdf)

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Elizabeth M. Murphy,

Secretary.

[FR Doc. 2013-16381 Filed 7-8-13; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69920; File No. SR-Phlx-2013-73]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending Rule 1012 To Permit the Exchange To List Additional Strike Prices Until the Close of Trading on the Second Business Day Prior to Monthly Expiration

July 2, 2013.

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> notice is hereby given that, on July 1, 2013, NASDAQ OMX PHLX LLC (the “Exchange” or “Phlx”) 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing with the Commission a proposal to amend Rule 1012 (Series of Options Open for Trading) to permit the Exchange to list additional strike prices until the close of trading on the second business day prior to the expiration of a monthly, or standard, option in the event of unusual market conditions.

The text of the proposed rule change is available on the Exchange’s Web site at <http://nasdaqomxphlx.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

#### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The purpose of this proposed rule change is to amend Rule 1012(a)(i)(B) to permit the Exchange to add additional strikes until the close of trading on the second business day prior to a monthly expiration in the event of unusual market conditions.

This is a competitive filing that is based on two recently approved filings submitted by NYSE MKT LLC (“NYSE MKT”) and NYSE, Arca, Inc. (“NYSE Arca”) and an immediately effective filing submitted by Chicago Board Options Exchange, Incorporated (“CBOE”).<sup>3</sup> The NYSE MKT and NYSE Arca filings both made changes to their respective rules governing the last day on which strikes may be added for individual stock and exchange traded fund (“ETF”) options. Similar to current Rule 1012(a)(i)(B), NYSE MKT, NYSE Arca, and CBOE had rules that permitted the opening of additional series of individual stock and ETF options until the first calendar day of the month in which the option expires or until the fifth business day prior to expiration if unusual market conditions exist. NYSE MKT, NYSE Arca, and CBOE amended their rules to permit the opening of additional series of individual stocks and ETF options until the close of trading on the second business day prior to the expiration of a monthly, or standard, option in the event of unusual market conditions. The Exchange is proposing to amend its rules in respect of equity and ETF

options to permit the opening of additional strike prices until the close of trading on the second business day prior to the expiration of a standard (monthly) option.

Options market participants generally prefer to focus their trading in strike prices that immediately surround the price of the underlying security. However, if the price of the underlying stock or ETF moves significantly, there may be a market need for additional strike prices to adequately account for market participants’ risk management needs in a stock or ETF. In these situations, the Exchange has the ability to add additional series at strike prices that are better tailored to the risk management needs of market participants. The Exchange may make the determination to open additional series for trading when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying stock or ETF moves more than five strike prices from the initial exercise price or prices.<sup>4</sup>

If the market need occurs prior to five business days prior to expiration, then the market participants may have access to an option contract that is more tailored to the movement in the underlying stock or ETF. Under current Rule 1012, however, the Exchange is unable to open additional series in response to unusual market conditions that occur between five and two days prior to expiration and market participants may be left without a contract that is tailored to manage their risk. Because of the current five days before expiration restriction, investors may be unable to tailor their hedging activities in options and effectively manage their risk going into expiration.

The Exchange proposes to permit the listing of additional strikes until the close of trading on the second business day prior to expiration in unusual market conditions. Since expiration of standard options on individual stocks and ETFs is on a Saturday, the close of trading on the second business day prior to expiration will typically fall on a Thursday. However, in cases where Friday is a holiday during which the Exchange is closed, the close of trading on the second business day will occur on a Wednesday. The Exchange will continue to make the determination to open additional series for trading when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when certain price movements take place in the underlying market. The proposed change will

<sup>3</sup> See Securities Exchange Act Release Nos. 68460 (December 18, 2012), 77 FR 76145 (December 26, 2012) (SR-NYSEMKT-2012-41) (approval order) (“NYSE MKT filing”); 68461 (December 18, 2012), 77 FR 76155 (December 26, 2012) (SR-NYSEArca-2012-94) (approval order) (“NYSE Arca filing”); and 68606 (January 9, 2013), 78 FR 3065 (January 15, 2013) (SR-CBOE-2012-131) (notice of filing and immediate effectiveness) (“CBOE filing”).

<sup>4</sup> See Rule 1012(a)(i)(B).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

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