SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–74114; File No. SR–BOX–2015–03]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Implement an Equity Rights Program

January 22, 2015.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (the ''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on January 9, 2015, 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,[3] and Rule 19b–4(f)(2) thereunder,[4] 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 the Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposed rule change to implement an equity rights program, to be effective January 12, 2015. There are no proposed changes to any rule text.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to implement an equity rights program (the ''Program'') in which BOX Options Participants registered with the Exchange for purposes of participating in options trading on the BOX market, a facility of the Exchange (''BOX''), as an order flow provider or market maker (''Participants'') may elect to participate.[5]

The Exchange is submitting two proposed rule changes with the Commission in connection with implementation of the Program. First, the Exchange is submitting this proposed rule change under Section 19(b)(3)(A)(ii) of the Securities Exchange Act of 1934 (the ''Act'') [6] and Rule 19b–4(f)(2) thereunder,[7] for immediate effectiveness, inasmuch as it establishes or changes a due, fee, or other charge imposed by the Exchange. Second, the Exchange will be submitting a separate proposed rule change under Section 19(b)(1) of the Act [8] and Rule 19b–4 thereunder,[9] subject to Commission approval, to make changes to its company governance documents, including to accommodate aspects of the Program that involve or affect the Subscription Agreement and proposed Members Agreement and the Amended and Restated Limited Liability Company Agreement (''Restated LLC Agreement'') of BOX Holdings Group LLC (''Holdings''), an affiliate of the Exchange. As discussed in greater detail below, the aspects of the Program that require changes to the company governance documents, including the acquisition of equity ownership in Holdings and any right related to such ownership, are contingent upon Commission approval of the company governance proposed rule change.

Participants that elect to participate in the Program will have the right to acquire equity in, and receive distributions from, Holdings, an affiliate of the Exchange, in exchange for the achievement of certain order flow volume commitment thresholds on the Exchange over a period of five (5) years and a nominal initial cash payment. The purpose of the Program is to promote the long-term interests of the Exchange by providing incentives designed to encourage Participants and Holdings owners to contribute to the growth and success of BOX by being active liquidity providers and takers to provide enhanced levels of trading volume to BOX, through an opportunity to increase their proprietary interests in BOX's enterprise value.

Upon initiation of the Program by Holdings, Participants that elect to participate in the Program, meet the eligibility criteria and make the initial cash payment (''Subscribers'') will be issued Volume Performance Rights (''VPRs'') in tranches of twenty (20) VPRs (each, a ''Tranche''). There will be a minimum subscription of two Tranches. A maximum of thirty (30) Tranches could be issued in connection with the Program.[10]

Each VPR will include 8.5 unvested new Class C Membership Units of Holdings (''Class C Units'') [11] and an average daily transaction volume commitment (''VPR Volume Commitment'') with respect to Qualifying Contract Equivalents equal to 0.0055% of the Industry ADV [12] for a total of five (5) years (twenty (20) consecutive measurement quarters).[13] The VPR Volume Commitment threshold will change based on the movement of the Industry ADV.

There are four categories of Contract Equivalents, which are based on the Participant account types set forth in the Exchange's Fee Schedule:

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

[2] 17 CFR 240.19b–4.

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

[4] 17 CFR 240.19b–4(f)(2).

[5] The Program was made available to all options traders. However, any interested party must first become a Participant (in addition to meeting the Program's eligibility criteria and making the initial cash payment) in order to participate in the Program.

[6] 15 U.S.C. 78s(b)(3)(A)(ii).

[7] 17 CFR 240.19b–4(f)(2).

[8] 15 U.S.C. 78s(b)(1).

[9] 17 CFR 240.19b–4.

[10] A maximum of 600 VPRs may be issued in connection with the Program (30 Tranches × 20 VPRs per Tranche). If the Program is oversubscribed, Tranches will be allocated on a pro-rata basis, rounded to the nearest whole Tranche, subject to the minimum of two Tranches.

[11] 8.5 Class C Units will equal approximately 0.05% of the fully diluted equity of Holdings, assuming all 600 VPRs are subscribed. The total equity ownership of Holdings held by any one Subscriber will be limited to 20%.

[12] The Industry ADV for a period is calculated by multiplying (i) two (2) times (ii) the quotient of (A) the aggregate number of cleared U.S. options transactions executed on a U.S. national exchange or facility thereof in U.S. listed securities on trading days during the period, as reported by the Options Clearing Corporation (''OCC''), divided by (B) the number of trading days during the period. A ''trading day'' is generally any day on which the BOX market is open for business, subject to certain qualifications to be defined in the Members Agreement. Certain industry transactions are excluded from the calculation of Industry ADV as described below.

[13] The first measurement quarter is expected to begin measuring order flow on January 12, 2015, and end on March 31, 2015, and thus the first measurement period will be slightly shorter than a standard measurement quarter.

• Public Customer: 0.71 executed orders equates to one (1) Contract Equivalent.

• Market Maker: 1.10 executed orders equates to one (1) Contract Equivalent.

• Broker/Dealer: 1.35 executed orders equates to one (1) Contract Equivalent.

• Professional Customer: [14] 1.35 executed orders equates to one (1) Contract Equivalent.

The escalation of the weight assigned to each category is generally consistent with the fees charged to each account type in the Exchange's Fee Schedule. Qualifying Contract Equivalents are Contract Equivalents, other than Excluded Member Contracts (described below), executed by a Class C Member (or its affiliates) on the Exchange either for its own account or for a customer, including orders routed to the Exchange by such Class C Member (or its affiliates).

All holders of Holdings' outstanding equity, including Subscribers holding Class C Units (''Class C Members''), are eligible to receive an annual distribution, distributed on a pro-rata basis, equal to 95% of Holdings' consolidated net income, plus depreciation and less capital expenditures, subject to availability.[15] Any such distribution amounts will be calculated after taking into account all financial and regulatory needs of the Exchange, as determined by the Exchange.[16] Distributions are payable on Class C Units associated with both vested and unvested VPRs. Distributions to Subscribers will be based on the Subscriber's achievement of its Annual Volume Commitment [17] for that year. If a Subscriber achieves at least 100% of its Annual Volume Commitment for all of the VPRs it holds for the distribution year, the Subscriber will receive its full distribution on its Class C Units. If a Subscriber achieves less than 100%, but at least 70%, of its Annual Volume Commitment, its distribution on its Class C Units will be prorated. If a Subscriber achieves less than 70% of its Annual Volume Commitment, it will receive no distribution on its Class C Units. Any unpaid distributions resulting from failure of Subscribers to achieve their Annual Volume Commitments during the measurement year will first be redistributed pro-rata to Subscribers that achieved volume in excess of their Annual Volume Commitment for the measurement year, with a maximum redistributed distribution amount equal to the Subscriber's regular distribution multiplied by the percent by which its transaction volume exceeded its Annual Volume Commitment for that measurement year. Distributions available for redistribution that are not redistributed to Subscribers will be redistributed pro-rata to holders of Holdings' other classes of equity securities: Class A Membership Units and Class B Membership Units (collectively with the Class C Units, ''Units'').

One VPR per Tranche will be eligible to vest each quarter of the five (5) year Program period, subject to the Subscriber meeting its Quarterly Volume Commitment [18] for all VPRs it holds for that quarter. In addition, Subscribers may earn additional VPRs or lose VPRs upon exceeding or failing to meet their VPR Volume Commitments during the Program period, as detailed below.

If a Subscriber fails to meet its Tranche Volume Commitment (calculated as VPR Volume Commitment × 20 for a full Tranche) for a measurement quarter, a VPR eligible to vest for that Tranche in that quarter will not vest.[19] However, for any measurement quarter in which a Subscriber achieves less than 100%, but at least 70%, of its Tranche Volume Commitment, the Subscriber may ''make up'' the shortfall for vesting purposes by achieving order flow during the next two consecutive measurement quarters at least equal to its requisite Quarterly Volume Commitment for each quarter plus the shortfall amount for that Tranche.[20] If the shortfall is so ''made up,'' one VPR per Tranche will vest at the end of the measurement quarter in which the shortfall is made up, in addition to any other VPRs that would otherwise vest. If a Subscriber fails to ''make up'' the shortfall within the two immediately subsequent measurement quarters, or if a Subscriber fails to meet at least 70% of its Tranche Volume Commitment, the VPR eligible to vest for that Tranche will fail to vest and become available to be reallocated to interested Subscribers to the extent such interested Subscribers achieved order flow volume above their Quarterly Volume Commitment for that measurement quarter. If a Subscriber exceeds 100% of its Quarterly Volume Commitment in any measurement quarter, the Subscriber will be eligible to earn reallocated VPRs from the pool of VPRs available for reallocation. The number of VPRs received in such reallocation will depend upon the Subscriber's achieved volume in excess of its Quarterly Volume Commitment and the extent to which other Subscribers miss or exceed their own Quarterly Volume Commitments.

In addition to the reallocation of individual VPRs described above, if a Subscriber fails to meet its Tranche Volume Commitment for one or more Tranches in at least two (which need not be consecutive) measurement quarters, including after any applicable ''make up'' period as described above, all of the Subscriber's VPRs in such Tranche(s), whether vested or unvested, will become available to be reallocated to interested Subscribers to the extent such interested Subscribers achieved, on average from the beginning of the Program through the most recent measurement quarter, order flow volume above their applicable Quarterly Volume Commitment. If a Subscriber, on average from the beginning of the Program through the most recent

[14] A ''Professional'' Customer is defined in Exchange Rule 100(a)(50) to mean ''any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).''

[15] Distributions on Class C Units will not be paid until the Commission approves the related rule change filed by the Exchange concerning revisions to its company governance documents. Distributions payable on Class C Units that accrue before Commission approval of the related company governance rule filing will be held in a segregated account until Commission approval is obtained. If the Commission does not approve the related company governance rule filing by July 1, 2016, a Subscriber may terminate its Subscription Agreement with Holdings and any and all distributions with respect to that Subscriber held in the segregated account will be released back to Holdings and distributed to existing Members in accordance with the terms of the Article 8 of the LLC Agreement.

[16] Article 8 of the LLC Agreement generally describes, and the Restated LLC Agreement generally will describe, how the distribution amounts will be calculated.

[17] ''Annual Volume Commitment'' is calculated, with respect to any measurement year for any Class C Member, by multiplying (i) the number of VPRs held by such Class C Member as of the first day of the measurement year by (ii) the VPR Volume Commitment for such measurement year. The first measurement year's Annual Volume Commitment will be reduced as part of a phase-in period as described below.

[18] ''Quarterly Volume Commitment'' is calculated with respect to any measurement quarter for any Class C Member, by multiplying (i) the number of VPRs held by such Class C Member as of the first day of the measurement quarter by (ii) the VPR Volume Commitment for such measurement quarter.

[19] Notwithstanding, the Program is currently designed to allow for an initial phase-in period during the first two measurement quarters of the Program, during which each Subscriber's Quarterly Volume Commitment will be reduced to 40% for the first measurement quarter and 70% for the second measurement quarter. All subsequent measurement quarters will require a 100% Quarterly Volume Commitment. As such, for the first measurement year, each Subscriber's Annual Volume Commitment will be 77.5% of the Annual Volume Commitment calculation.

[20] For the sake of clarity, a portion of the shortfall can be made up in either or both measurement quarters in the ''make-up'' period.

measurement quarter, exceeds 100% of its Quarterly Volume Commitment, the Subscriber will be eligible to earn reallocated VPRs from the pool of such Tranches available for reallocation. The number of VPRs received in such reallocation will depend upon the Subscriber's achieved volume, on average from the beginning of the Program through the most recent measurement quarter, in excess of its applicable Quarterly Volume Commitment and the extent to which other Subscribers miss or exceed their own Quarterly Volume Commitments.

Notwithstanding the foregoing, once a Subscriber has achieved forty (40) vested VPRs, and subsequently when each additional level of twenty (20) VPRs vest, those VPRs will become protected from reallocation.

Any reallocated VPR will come with the same Class C Units ownership rights and VPR Volume Commitment obligations. If the number of VPRs available for reallocation is insufficient to reallocate fully to all eligible Subscribers, the available VPRs will be relocated on a pro-rata basis based on each eligible Subscriber's percentage of the aggregate excess volume achieved by all eligible Subscribers. If the number of VPRs available for reallocation exceeds the interest or availability of eligible Subscribers, Holdings may cancel any such excess VPRs not reallocated.

As noted above, only Qualifying Contract Equivalents will be included in the calculation of a Subscriber's VPR Volume Commitment. The following Excluded Member Contracts are not Qualifying Contract Equivalents, and thus will not count towards a Subscriber's VPR Volume Commitment: (1) Excluded Industry Transactions, *i.e.,* executed and cleared transactions (i) in a proprietary product traded on a U.S. equity options exchange other than the Exchange (and not traded on the Exchange), (ii) that are Strategic Transactions,[21] or (iii) that are otherwise agreed to be Excluded Industry Transactions by Holdings and holders of at least a majority of the outstanding Class C Units (including both vested and unvested Class C Units) in writing; (2) transactions that the Class C Member has notified Holdings shall not be credited to such Member for purposes of calculating the Member's actual order volume; (3) transactions determined to have been in violation of any applicable law, statute, regulation, rule, official directive or guideline (whether or not having the force of law) of any governmental authority with legal jurisdiction or of any self-regulatory organization with supervisory authority; and (4) transactions with respect to which it is unlawful for the Class C Member to receive compensation.

Any disputes with respect to Quarterly Volume Commitment calculations may be appealed to the Holdings board of directors. If such dispute is not resolved within sixty (60) calendar days following the end of any applicable measurement quarter, Subscribers may request the dispute be resolved by an independent accounting firm appointed by a majority of the Subscribers requesting the audit and reasonably acceptable to Holdings.

As noted above, the Exchange will be submitting a separate proposed rule change, subject to Commission approval, to make changes to its company governance documents to accommodate certain aspects of the Program that involve or affect the rights and limitations associated with Class C Unit ownership. For example, the total equity ownership of all classes of Units held by any one Subscriber will be limited to 20%.[22] Also, the Restated LLC Agreement will provide that Subscribers will have the right to vote the Class C Units associated with vested VPRs on matters submitted for a vote of all holders of Units, and the Class C Units will vote with all other classes of Units as a single class. Subscribers will also have the right to designate one individual to a new Advisory Committee organized by Holdings, whose purpose will be to advise and make recommendations to Holdings with respect to the Exchange's competitiveness in the marketplace.[23] In addition, Subscribers with Class C Units associated with vested VPRs that represent greater than 4% of all outstanding Units will have the right to appoint one (1) director to the Holdings board of directors.[24] As noted, these and other rights associated with Class C Unit ownership are contingent upon Commission approval of the company governance rule filing.

The Program will also foster key changes to the governance of Holdings, assuming Commission approval of the separate company governance proposed rule change. The Program will foster the removal of MX US 2, Inc.[25] from being a direct majority owner of Holdings. Assuming full participation in the Program, the ownership of Holdings by current Unitholders, including MX US 2, Inc., will be diluted such that no single Unitholder will have a majority ownership of Holdings. Also, upon vesting of VPRs associated with Class C Units equal to at least 10% of the total outstanding Units, the non-compete obligations applicable to MX US 2, Inc. in the Restated LLC Agreement will expire and be of no further effect, automatically and without further action.[26] In addition, upon vesting of VPRs associated with Class C Units equal to at least 25% of the total outstanding Units, the Major Action veto for the benefit of MX US 2, Inc. and IB Exchange Corp. in the Restated LLC Agreement will expire and be of no further effect, automatically and without further action.[27] Finally, the Restated LLC Agreement will include a requirement that, subject to the other provisions of the Restated LLC

[21] ''Strategic Transactions'' will be defined in the Members Agreement and will include any transaction in a product that, with respect to any day on which BOX is open for business, is one of the top twenty (20) highest equity or ETF volume products reported by the OCC for such trading day and for which a majority of the volume of cleared transactions in such product reported by OCC consists of executed and cleared transactions involving: (i) Reveals and conversions; (ii) dividend spreads; (iii) deep-in-the-money call and put spreads; (iv) short stock interest spreads; (v) merger spreads; (vi) box spreads; or (vii) jelly rolls. This definition will be subject to change by subsequent amendment of the Members Agreement. Strategic Transactions will be excluded from the VPR Volume Commitment calculation to the extent it is possible to identify such transactions.

[22] Any purported transfer of Class C Units or ownership of Class C Units in violation of this 20% ownership limit by a Subscriber will be subject to limitations set forth in the Restated LLC Agreement, including the non-recognition of voting rights of Class C Units in excess of the 20% ownership limit.

[23] The Members Agreement will provide that only Class C Members will be able to designate members to the Advisory Committee.

[24] The Restated LLC Agreement will provide that existing Holdings Members will continue to have the right to designate a director to the Holdings board of directors. Each Class A or Class B Member will have the right to appoint one (1) director to the Holdings board of directors if it owns in excess of 2.5% of all outstanding Units. In addition, any Member that owns greater than 14% and 28% of all outstanding Units will have the right to appoint two (2) and three (3) directors, respectively. No Member will be allowed to designate more than three (3) directors to the Holdings board of directors.

[25] MX US 2, Inc., which is indirectly owned by TMX Group, Inc., a Canadian entity, currently owns approximately 54% of Holdings.

[26] Article 16, Section 16.1 of the LLC Agreement generally provides, and the Restated LLC Agreement generally will provide, that, so long as MX US 2, Inc. and its affiliates own 4% or more of Holdings, it shall not invest in more than 5% or participate in the creation and/or operation of a competing business.

[27] Section 4.4 of the LLC Agreement generally provides, and the Restated LLC Agreement generally will provide, that certain Major Actions (as defined therein) shall not be effective unless approved by the Holdings board of directors, including all of the directors designated by each of MX US 2, Inc. and IB Exchange Corp. Further, the Restated LLC Agreement will provide that Sections 4.4 and 14.12 of the BOX Market LLC Agreement will also be amended, at the same time as the Holdings Major Actions provision expires, to provide that the corresponding provisions in the BOX Market LLC Agreement relating to Major Actions (as defined therein) will have no further effect.

Agreement, including the Major Action veto discussed above, holders of at least 67% of all outstanding Units must vote to approve certain major company actions by Holdings.[28] As noted, these and other governance changes are contingent upon Commission approval of the company governance rule filing.

Any Participant may elect to subscribe to the Program subject to its satisfaction of eligibility requirements and making the initial cash payment. All applicant Participants will be subject to the same eligibility and designation criteria and all Subscribers will participate in the Program on the same terms, conditions and restrictions. To be designated as a Subscriber, an applicant must: (i) Represent and warrant that no grounds exist for the suspension or termination of the Subscriber's voting privileges or membership under the Limited Liability Company Agreement of Holdings, as may be amended from time to time (''LLC Agreement''), or the Restated LLC Agreement; (ii) qualify as an ''accredited investor'' as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933 (the ''Securities Act''); and (iii) have executed all required documentation for Program participation. In addition, the applicant must make a nominal cash payment of $10 per Class C Unit (which equates to $85 per VPR) by January 12, 2015, and subscribe to a minimum of two Tranches of 20 VPRs, for a total minimum initial cash payment of $3,400.[29] Once a Participant becomes a Subscriber, Holdings may cancel any VPR held by the Subscriber if the Subscriber's membership in Holdings is terminated as provided in the LLC Agreement or Restated LLC Agreement.

Neither VPRs nor Class C Units are expected to be registered for resale by Holdings and may not be transferred without complying with, or qualifying for an exemption from, the registration requirements of the Securities Act. Any transfer of Class C Units by an existing Class C Member will be subject to a primary right of first refusal for the benefit of Holdings and a secondary right of first refusal for the benefit of other Class C Members. Notwithstanding the foregoing, a Class C Member may transfer all of its rights and obligations related to the VPRs and Class C Units it holds to any affiliate without the consent of Holdings so long as, among other things, the affiliate is admitted as a member of Holdings as provided in the Restated LLC Agreement and becomes a party to, and bound by the terms and conditions of, the Members Agreement. Upon completion of all 20 measurement quarters (plus any applicable ''make up'' period), assuming Commission approval of the related company governance rule filing discussed above, all outstanding Class C Units associated with vested VPRs will be automatically converted into Class A Membership Units, and all outstanding Class C Units associated with unvested VPRs will be automatically cancelled.

As discussed above, the purpose of the Program is to encourage Participants to direct greater trade volume to the Exchange to enhance trading volume in BOX. Toward that end, the Exchange has reached out to known options traders—both Participants and non-Participants—to gauge interest in the Program, including whether the Program would induce non-Participants to become Participants and, once Participants, direct trading volume to BOX. Increased volume will provide for greater liquidity and enhanced price discovery, which benefits all market participants. Other exchanges currently engage in the practice of incentivizing increased order flow in order to attract liquidity providers through equity sharing arrangements.[30] The Program similarly intends to attract order flow, which will increase liquidity, thereby providing greater trading opportunities and tighter spreads for other market participants and causing a corresponding increase in order flow from these other market participants. The Program will similarly reward the liquidity providers that provide this additional volume with a potential proprietary interest in BOX.

As discussed above, the acquisition of Class C Units, and any right related to such ownership, in connection with the Program is contingent upon Commission approval of the company governance proposed rule change by July 1, 2016, after which a Subscriber may terminate its participation in the Program. This contingency will be a known risk to Subscribers: The Subscription Agreement, which all Subscribers must sign by January 12, 2015, will disclose that the purchase of Class C Units is contingent upon, among other things, Commission approval of the Program. In addition, the Membership Agreement, which all Subscribers must sign by January 12, 2015, will disclose that BOX will begin measuring order flow volume for the Program on January 12, 2015. Accordingly, Subscribers will be aware that they may send order flow to BOX in connection with the Program in advance of Commission approval, and that there is a risk that the Program is not approved by the Commission and that they never receive the Class C Units or the rights associated therewith.

In addition, the Exchange has taken steps to minimize the risk that the Program does not become fully operational and the related costs imposed on Subscribers if such risk is realized. For example, all internal approvals and consents required to operate the Program, including approval by the Holdings board of directors of the Subscription Agreement, Membership Agreement and amendments to the Restated LLC Agreement, will be obtained in advance of commencement of the Program. Besides Commission approval, there will be no other governmental or regulatory approval required to operate the Program. Also, regardless of if and when Commission approval is obtained, Subscribers will continue to be required to pay fees in accordance with the same published Exchange Fee Schedule to which all Participants are subject. In addition, Subscribers are not guaranteed distributions; any distribution to holders of Holdings equity (including Class C Members) is contingent upon, among other things, the profitability of Holdings, and nothing in the Subscription Agreement or Members Agreement guarantees the payment of any distributions to Subscribers.

[28] The Restated LLC Agreement will set forth the terms and conditions of this ''supermajority'' provision.

[29] Because, as noted above, the acquisition of equity ownership in Holdings, and any right related to such ownership, in connection with a Subscriber's participation in the Program is contingent upon Commission approval of the related company governance rule change, the initial cash payment will be held in escrow until the Commission approves the related company governance rule change. As disclosed to the Subscribers and provided in the Subscription Agreement, if the Commission does not approve the related company governance rule change by July 1, 2016, any Subscriber will be authorized to terminate its Subscription Agreement with the Holdings, upon which Holdings will promptly refund the terminating Subscriber's initial cash payment.

[30] *See, e.g.,* Securities Exchange Act Release No. 62358 (June 22, 2010), 75 FR 37861 (June 30, 2010) (SR–NSX–2010–006) (Notice of Filing and Immediate Effectiveness of National Stock Exchange, Inc. equity rights program); Securities Exchange Act Release No. 64742 (June 24, 2011), 76 FR 38436 (June 30, 2011) (SR–NYSEAmex–2011–018) (Order Approving NYSE Amex LLC (now NYSE MKT LLC) options facility, including a volume-based equity plan); Securities Exchange Act Release No. 69200 (March 21, 2013), 78 FR 18657 (March 27, 2013) (SR–CBOE–2013–031) (Notice of Filing and Immediate Effectiveness of CBOE Stock Exchange, LLC equity rights program); and Securities Exchange Act Release No. 70498 (September 25, 2013), 78 FR 60348 (October 1, 2013) (SR–MIAX–2013–043) (Notice of Filing and Immediate Effectiveness of Miami International Securities Exchange, LLC equity rights program).

Finally, the Subscription Agreement will set forth the right of each Subscriber to terminate the Subscription Agreement if the Commission does not approve the proposed company governance rule change by July 1, 2016 or if the Subscriber's participation in the Program is legally prohibited before issuance of the Class C Units.[31] Accordingly, the only potential ''cost'' to Subscribers if Commission approval is not obtained by July 1, 2016, would be that they would have sent order flow to BOX with the hope of receiving an equity interest and related rights, which they knew were not guaranteed.

The VPR Volume Commitment threshold was set based upon business determinations, including increasing diversity of Holdings' ownership and an analysis of current volume levels. The specific Contract Equivalent categories were defined and weighted in accordance with the Exchange's Fee Schedule, such that those categories that earn higher fees are weighted more heavily. The VPR Volume Commitment threshold and Contract Equivalent categories are intended to incentivize firms to increase the number of orders that are sent to BOX. Increasing the number of orders that are sent to BOX will in turn provide tighter and more liquid markets, and therefore attract more business as well.

BOX intends to begin measuring order flow volume for the Program on January 12, 2015. The Exchange notified Participants of the Program by Regulatory Circular published on October 1, 2014. The Exchange will also post a copy of this rule filing on its Web site. Any Participant that is interested in participating in the Program may contact BOX for more information and legal documentation and will be required to enter into a nondisclosure agreement regarding this additional Program information.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[32] Specifically, the Exchange believes that its proposed rule change is consistent with Section 6(b)(5) of the Act[33] in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the requirement in Section 6(b)(5) of the Act[34] that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,[35] which requires that exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

In particular, the proposed rule change is equitable and not unfairly discriminatory because all Participants may elect to participate (or elect to not participate) in the Program and earn vested VPRs on the same terms and conditions, assuming they satisfy the same eligibility criteria as described above. The eligibility criteria are objective; thus, all Participants have the same opportunity to satisfy them. Also, Holdings is offering VPRs, including Class C Units, to any Participant that requests designation to participate in the Program and otherwise satisfies the eligibility criteria to ensure that all Participants will have the opportunity to subscribe for VPRs and the associated Class C Units and thus participate in the Program if they so choose. In addition, VPRs will vest based on achievement of a predetermined VPR Volume Commitment threshold during each measurement period that will apply evenly to all Subscribers. Further, each Subscriber will have the right to terminate its Subscription Agreement if the Commission does not approve the proposed company governance rule change by July 1, 2016 or if the Subscriber's participation in the Program is legally prohibited before issuance of the Class C Units.[36]

The Exchange believes that the methodology used to calculate the VPR Volume Commitment threshold is fair, reasonable and not unfairly discriminatory because it is based on objective criteria that are designed to omit from the calculation functionality that is not available on the Exchange and types of transactions that are subject to little or no transaction fees. Specifically, as noted above, the VPR Volume Commitment calculation only includes Qualifying Contract Equivalents, which excludes the following Excluded Member Contracts:

- Excluded Industry Transactions, *i.e.,* executed and cleared transactions:
  - In a proprietary product traded on a U.S. equity options exchange other than the Exchange (and not traded on the Exchange);
  - that are Strategic Transactions;[37] or
  - that are otherwise agreed to be Excluded Industry Transactions by Holdings and holders of at least a majority of the outstanding Class C Units (including both vested and unvested Class C Units) in writing;
- Transactions that the Class C Member has notified Holdings shall not be credited to such Member for purposes of calculating the Member's actual order volume.
- Transactions determined to have been in violation of any applicable law, statute, regulation, rule, official directive or guideline (whether or not having the force of law) of any governmental authority with legal jurisdiction or of any self-regulatory organization with supervisory authority.
- Transactions with respect to which it is unlawful for the Class C Member to receive compensation.

The Exchange believes excluding Strategic Transactions and transactions in proprietary products traded on a U.S. options exchange other than the Exchange is reasonable and not unfairly discriminatory because, at this time, these transactions generally are not executed on the Exchange, and thus do not contribute to the purpose behind the Program of incentivizing Participants to send order flow to BOX. The Exchange further believes it is reasonable and not unfairly discriminatory to exclude transactions determined to have been executed in violation of applicable law[38] and transactions for which it is unlawful for the Subscriber to receive compensation, because the Exchange does not want to incent or reward the execution of unlawful transactions. The Program is designed to reward Subscribers for bringing orders to be executed on the Exchange; the distribution reward is primarily based on the profitability of Holdings, which is directly related to the fees earned by the Exchange. The foregoing

[31] In addition, as noted above, the Subscription Agreement will provide that, upon such termination, Holdings will promptly return the terminating Subscriber's initial cash payment.

[32] 15 U.S.C. 78f(b).

[33] 15 U.S.C. 78f(b)(5).

[34] *Id.*

[35] 15 U.S.C. 78f(b)(4).

[36] In addition, as noted above, the Subscription Agreement will provide that, upon such termination, Holdings will promptly return the terminating Subscriber's initial cash payment.

[37] *See supra* note 21 for a description of the types of ''Strategic Transactions.''

[38] The Exchange believes that including transactions executed in violation of applicable law, particularly, would not be consistent with the purposes of the Act.

transactions, in which no transaction fees are earned by the Exchange, do not contribute to the profitability of Holdings. Finally, the Exchange believes it is reasonable and not unfairly discriminatory to exclude transactions that the Subscriber has notified Holdings should not be credited to such Subscriber for purposes of calculating such Subscriber's actual order volume, and transactions otherwise agreed to be excluded by Holdings and holders of at least a majority of the outstanding Class C Units, because these exclusions permit flexibility in the Program to allow Subscribers to account for business arrangements with affiliates and third parties, including execution arrangements through other Subscribers in the Program, allow Subscribers to voice possible concerns and opinions, and allow Subscribers to modify the order types that can contribute to meeting the VPR Volume Commitment, either individually by and for the Subscriber itself, or by majority vote [39] for all Subscribers.

Further, the Exchange believes the definition of, and weight assigned to, each Contract Equivalent category is fair, reasonable and not unfairly discriminatory because each category is defined and weighted in accordance with the Exchange's Fee Schedule, so that those categories that earn higher fees are weighted more heavily.[40] Although the different Contract Equivalent categories are weighted differently, the weighting is equitable, and strikes an appropriate balance based on the quantity of orders executed and the type of account. The Public Customer category is assigned the lowest weight (0.71) because these orders are charged the lowest fees by the Exchange, and the Exchange believes low customer transaction fees are reasonable, appropriate and consistent with the Act because it promotes the best interests of investors to have lower transaction costs for Public Customers and attract Public Customer order flow to BOX. The Market Maker category is assigned more weight (1.10) because these orders generate higher fees designed to be comparable to the fees that such accounts would be charged at competing venues. The Professional Customer and Broker/Dealer Firm categories are assigned the most weight (1.35) because these orders generate the highest fees for the Exchange and, again, are designed to be comparable to fees charged by competing options exchanges. By definition, a Professional Customer places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s),[41] and such level of trading activity generates higher operational costs for the Exchange. Broker/Dealer Firms are engaged in the business of executing orders, and thus similarly generate high operational costs for the Exchange. Broker/Dealer Firms are charged higher fees than Market Makers because Broker/Dealer Firms do not have the obligations (such as maintaining active two-sided markets) that Market Makers have. Professional Customer and Broker/Dealer Firm orders are given equal weight, consistent with the Exchange's Fee Schedule, which charges these two account types equal fees. The Exchange believes it is equitable to assign different weights to each account type based on the fee generated by that account type, given that the Program distributions are based on revenues earned by the Exchange.

The Exchange believes the Program is equitable and reasonable because an increase in volume and liquidity will benefit all market participants by providing more trading opportunities and tighter spreads, even to those market participants that do not participate in the Program. Additionally, the Exchange believes the proposed rule change is consistent with the Act because, as described above, the Program is designed to bring greater volume and liquidity to the Exchange, which will benefit all market participants by providing tighter quoting and better prices, all of which perfects the mechanism for a free and open market and national market system.

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 rule change will improve competition by providing market participants with an incentive to consider and utilize another market, BOX, when determining where to execute options contracts and post liquidity.

The Exchange believes that the proposed change will increase both intermarket and intramarket competition by incenting Subscribers to direct their orders to the Exchange, which will enhance the quality of quoting and increase the volume of contracts traded there. Notwithstanding, Subscribers will be free to send orders to other markets, even if they have not met their VPR Volume Commitment for that measurement period; thus the proposed change should not impose a burden on competition among exchanges. To the extent that there is an additional competitive burden on non-Subscribers, the Exchange believes that this is appropriate because the Program should incent Participants to direct additional order flow to the Exchange and thus provide additional liquidity, which enhances the quality of BOX and increases the volume of options traded on BOX. To the extent that this purpose is achieved, all of the Exchange's Participants, even non-Subscribers, should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on the Exchange.

Given the robust competition for volume among options markets, many of which offer the same products, implementing a program to attract order flow like the one being proposed in this filing is consistent with the above-mentioned goals of the Act. This is especially true for the smaller options markets, such as BOX, which is competing for volume with much larger exchanges that dominate the options trading industry. BOX has a modest percentage of the average daily trading volume in options, so it is unlikely that the Program could cause any competitive harm to the options market or to market participants. Rather, the Program is an attempt by a small options market to attract order volume away from larger competitors by adopting an innovative pricing strategy, as evidenced by the VPR Volume Commitment threshold of the Program representing a fraction of 1% of the total national average daily volume of options contracts reported to OCC. The Exchange notes that, if the Program resulted in the expected increase in the average daily trading volume in options

[39] Because Class C Unit ownership will be subject to a 20% cap, no one Subscriber will be able to, by vote, require a transaction to be excluded for all Subscribers.

[40] It is not uncommon for exchanges to treat certain market participants in a disparate manner, particularly in the Fee Schedule. For example, the Fee Schedules of the Chicago Board Options Exchange, Incorporated (''CBOE'') and the International Securities Exchange (''ISE''), among other exchanges, charge different fees based on the customer type, including Customer, Market Maker, Broker/Dealer and Professional. *See* CBOE Fees Schedule (Sept. 2, 2014), *available at http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf* and ISE Schedule of Fees (last updated Aug. 1, 2014), *available at http://www.ise.com/fees.*

[41] *See* Exchange Rule 100(a)(50), which defines the term ''Professional.''

executing on BOX, such increase will represent a large percentage increase for BOX but it will represent a minimal reduction in volume of its larger competitors in the industry. The Exchange believes that the Program will help further competition, because market participants will have yet another additional option in determining where to execute orders and post liquidity if they factor the benefits of the Program and BOX equity participation into the determination.

Finally, the Program will increase the diversity of ownership of Holdings such that no one entity will have a majority ownership of Holdings. Upon the issuance of Class C Units to Subscribers, the ownership of Holdings will be distributed among more holders. If there is full participation in the Program, then the ownership of Holdings by current Unitholders will be diluted and no single Unitholder will have a majority ownership of Holdings.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act and Rule 19b-4(f)(2) thereunder the proposed rule change is filed for immediate effectiveness inasmuch as it establishes or changes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily 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 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.* Please include File Number SR–BOX–2015–03 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–2015–03. 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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–BOX–2015–03 and should be submitted on or before February 18, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[42]

Brent J. Fields,

Secretary.

[FR Doc. 2015–01508 Filed 1–27–15; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Small Business Size Standards: Waiver of the Nonmanufacturer Rule

AGENCY: U.S. Small Business Administration.

[42] 17 CFR 200.30–3(a)(12).

ACTION: Notice of intent to waive the Nonmanufacturer Rule for Scientific Vacuum Pumps.

SUMMARY: The U.S. Small Business Administration (SBA) is considering granting a class waiver of the Nonmanufacturer Rule for Scientific Vacuum Pumps. On October 1, 2014, SBA received a request that a class waiver be granted for scientific vacuum pumps under the North American Industry Classification System (NAICS) code 333911 (Pump and Pumping Equipment Manufacturing), Product Service Code (PSC) 4310 (Compressors and Vacuum Pumps). According to the request, no small business manufacturers supply this class of products to the Federal government. Thus, SBA is seeking information on whether there are small business scientific vacuum pump manufacturers. If granted, the waiver would allow otherwise qualified small businesses to supply the products of any manufacturer on a Federal contract set aside for small businesses, Service-Disabled Veteran-Owned (SDVO) small businesses, Women-Owned small businesses (WOSB), Economically Disadvantaged Women-Owned small businesses (EDWOSB), or Participants in the SBA's 8(a) Business Development (BD) program.

DATES: Comments and source information must be submitted February 12, 2015.

ADDRESSES: You may submit comments and source information to Amy Garcia, Procurement Analyst, Small Business Administration, Office of Government Contracting, 409 3rd Street SW., Suite 8800, Washington, DC 20416; or by way of email to the Nonmanufacturer Rule Waiver program office at *NonMfgRuleWaiverReqsts@sba.gov*. Email communications should contain ''Class Waiver—Scientific Vacuum Pumps'' in the subject line.

FOR FURTHER INFORMATION CONTACT: Ms. Amy Garcia, Procurement Analyst, by telephone at (202) 205–6842; by FAX at (202) 481–1630; or by way of email to the Nonmanufacturer Rule Waiver program office at *NonMfgRuleWaiverReqsts@sba.gov*.

SUPPLEMENTARY INFORMATION: Section 8(a)(17) and 46 of the Small Business Act (Act), 15 U.S.C. 637(a)(17) and 657s, and SBA's implementing regulations require that recipients of Federal supply contracts set aside for small businesses, SDVO small businesses, WOSBs, EDWOSBs, or Participants in the SBA's 8(a) BD Program provide the product of a small business manufacturer or processor, if the recipient is other than