

For the Commission, by the Division of Investment Management, pursuant to delegated authority.³

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Deputy Secretary.

[FR Doc. 2016-29047 Filed 12-2-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79421; File No. SR-BOX-2016-48]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change To Adopt Rules for an Open-Outcry Trading Floor

November 29, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that, on November 16, 2016, BOX Options Exchange LLC (the “Exchange” or “BOX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt rules for an open-outcry trading floor. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://boxexchange.com>.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and statutory basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below,

of the most significant aspects of such statements.

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

1. Purpose

The Exchange is proposing to adopt rules to allow for open-outcry trading on a physical trading floor (“Trading Floor”). The Exchange notes that this is not a novel proposal and that other exchanges currently offer open-outcry trading in addition to electronic trading.³ The Exchange is proposing a hybrid model similar to these other exchanges.

General

The Exchange is proposing various changes to the definition section of the Rulebook to accommodate the proposed Trading Floor. First, the Exchange is proposing to define “Floor Participant” as Floor Brokers as defined in Rule 7540 and Floor Market Makers as defined in Rule 8510(b).⁴ The Exchange is proposing to define “Trading Floor” or “Options Floor” as the physical trading floor of the Exchange located in Chicago. The Trading Floor shall consist of at least one “Crowd Area” or “Pit”. A Crowd Area or Pit shall be marked with specific visible boundaries on the Trading Floor, as determined by the Exchange. All series for a particular option class will be allocated to the same Crowd Area. A Floor Broker must open outcry an order in the corresponding Crowd Area.

The Exchange is proposing to add the definition of “Presiding Exchange Officials.”⁵ Specifically, the President of the Exchange and his or her designated staff shall be responsible for monitoring: (1) Dealings of Floor Participants and their associated persons on the Trading Floor, and of the premises of the Exchange immediately adjacent thereto; (2) the activities of Floor Participants and their associated persons, and shall establish standards and procedures for the training and qualification of Floor Participants and their associated persons active on the Trading Floor; (3) all Trading Floor employees of Floor Brokers and Floor Market Makers, and shall make and enforce such rules with respect to such employees as it may deem necessary; (4)

all connections or means of communications with the Trading Floor and may require the discontinuance of any such connection or means of communication when, in the opinion of the President or his or her designee, it is contrary to the welfare or interest of the Exchange; (5) the location of equipment and the assignment and use of space on the Trading Floor; and (6) relations with other options exchanges.

Next, the Exchange is proposing to add a definition for the “BOX Order Gateway.” The BOX Order Gateway (“BOG”) is a component of the Exchange that is designed to enable Floor Brokers to enter transactions on the Trading Floor.⁶ The BOG is designed to establish an electronic audit trail for options orders represented and executed on the Trading Floor. The audit trail will provide an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Trading Floor, beginning with the receipt of an order by the Exchange, and further documenting the life of the order. The various features of the BOG will be described in greater detail below. Additionally, the Exchange is proposing to clarify that all transactions executed on the Exchange shall be done either (1) automatically by the Exchange’s trading system pursuant to Rule 7130, or (2) by and among Floor Participants in the Exchange’s options trading crowd; provided that the order is processed through the BOG.⁷ The Exchange is also proposing to clarify that bids and offers on the Trading Floor, to be effective, must be made by public outcry on the Trading Floor and that all bids and offers shall be general ones and shall not be specified for acceptance by particular Floor Participants.⁸

The Exchange is also proposing to provide details on how the public outcry on the Trading Floor will work. Specifically, the Exchange is proposing that bids and offers must be made in an

⁶ See proposed Rule 100(b)(2). Proposed Rule 100(b)(2) is based on PHLX Rule 1080.06.

⁷ See proposed Rule 100(b)(3). Proposed Rule 100(b)(3) is based on PHLX Rule 1000(f). The Exchange notes that PHLX includes additional methods for executions on PHLX’s Trading Floor that BOX is not including in proposed Rule 100(b)(3). The Exchange does not believe that these methods are necessary as the Exchange believes that all executions on the Trading Floor shall be processed through the BOG to ensure an accurate and complete audit trail.

⁸ See proposed Rule 100(b)(4). Proposed Rule 100(b)(4) is based on PHLX Rule 1000(g). The Exchange notes that PHLX includes information about bidding and offering electronically as well as in public outcry; however, the Exchange is only proposing to include information about public outcry. BOX already has rules in place that govern electronic bidding and offering and therefore there is no need to mention it in proposed Rule 100(b)(4).

³ 17 CFR 200.30-5(e)(2).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ NYSE Arca, Inc. (“NYSE Arca”), NASDAQ PHLX LLC (“PHLX”), Chicago Board Options Exchange, Incorporated (“CBOE”), and NYSE MKT LLC (“NYSE MKT”).

⁴ See proposed Rule 100(a)(26).

⁵ See proposed Rule 100(b)(1). Proposed Rule 100(b)(1) is based on PHLX Rule 1000(e).

audible tone of voice and a Floor Market Maker shall be considered “out” on a bid or offer if he does not respond to the Floor Broker who is announcing the order.⁹ A Floor Market Maker who is bidding and offering in immediate and rapid succession shall be deemed “in” until he says “out” on either bid or offer. Once the members of the trading crowd have provided a quote on the Trading Floor in response to a request, it will remain in effect until: (i) A reasonable amount of time has passed, or (ii) there is a significant change in the price of the underlying security, or (iii) the market given in response to the request has been improved. In the case of a dispute, the term “significant change” will be interpreted on a case-by-case basis by an Options Exchange Official based upon the extent of the recent trading in the option and, in the case of equity and index options, in the underlying security, and any other relevant factors.

The Exchange is proposing that all bids or offers made on the Trading Floor shall be deemed to be for one option contract unless a specific number of option contracts is expressed in the bid or offer and that bid or offer for more than one option contract shall be deemed to be for the amount thereof or a smaller number of options contracts.¹⁰ The Exchange is also proposing the following process for the solicitation of quotations on the Trading Floor.¹¹ Specifically, in response to a Floor Broker’s solicitation of a single bid or

offer, Floor Participants may discuss, negotiate, and agree upon the price or prices at which an order of a size greater than the Exchange’s disseminated size can be executed at that time, or the number of contracts that could be executed at a given price or prices, subject to the provisions of the Options Order Protection and Locked/Crossed Market Plan¹² and the Exchange’s Rules respecting Trade-Throughs. Notwithstanding the foregoing, a single Floor Participant may voice a bid or offer independently from, and differently from, the Participants of a trading crowd.

The Exchange is proposing to adopt Rule 7230(f) Limitation of Liability, which codifies that each Options Participant that physically conducts business on the Exchange’s Trading Floor is required, at its sole cost, to procure and maintain liability insurance that provides defense and indemnity coverage for itself, any person associated with it, and the Exchange for any action or proceeding brought relating to the conduct of the Options Participant or associated person.¹³ The insurance shall provide defense and indemnity coverage to the Exchange for the Exchange’s sole, concurrent, or contributory negligence, or other wrongdoing, relating to or in connection with such claim and the Exchange shall be expressly named by endorsement as an Additional Insured under the Insurance. The Exchange’s status and rights to coverage under the insurance shall be the same rights of the named insured of the insurance, including, without limitation, rights to the full policy limits; and the limits for the insurance shall be not less than \$1,000,000 without erosion by defense costs, but under no circumstance shall the Exchange be entitled to less than the full policy limits of such insurance. The insurance shall state that it is primary to any insurance maintained by the Exchange. Each Options Participant annually shall cause a certificate of insurance to be issued directly to the Exchange demonstrating that insurance compliant with this proposed Rule has been procured and is maintained. Each Options Participant also shall furnish a copy of the insurance to the Exchange for review upon the Exchange’s request at any time. This proposed section (f) is the only section of Rule 7230 specifically limited to Options

Participants physically located on the Exchange’s Trading Floor.

Registration

In order for a Participant to be admitted to the Trading Floor the Participant will be required to register with the Exchange. Additionally, all Floor Participants must be registered as a Participant¹⁴ on BOX prior to registering as either a Floor Broker or Floor Market Maker.

The Exchange is proposing to adopt Rule 2020(h) Trading Floor Registration, which codifies that each Floor Broker, Floor Market Maker and registered representative on the Exchange Trading Floor must be registered as “Member Exchange” (“ME”) under “BOX” on Form U4. In addition, each Floor Broker, Floor Market Maker and registered representative on the Exchange Trading Floor must successfully complete the appropriate floor trading examination(s), if prescribed by the Exchange, in addition to requirements imposed by other Exchange Rules.¹⁵ The Exchange is also proposing to adopt procedures and a timeframe for submitting changes of registration status to the Exchange. Specifically, following the termination of, or the initiation of a change in the trading status of any such Floor Participant who has been issued an Exchange access card and a Trading Floor badge, the appropriate Exchange form must be completed, approved and dated by a firm principal, officer, or member of the firm with authority to do so, and submitted to the appropriate Exchange department as soon as possible, but no later than 9:30 a.m. ET the next business day by the Options Participant employer. Additionally, the Exchange proposes to specify that every effort should be made to obtain the person’s access card and Trading Floor badge and to submit these to the appropriate Exchange department.

The Exchange is also proposing to add Rule 2020(i), which details Non-Participant and Clerk Registration. Specifically, all Trading Floor personnel, including clerks, interns, stock execution clerks and any other associated persons, of a Floor Participant not required to register pursuant to this Rule 2020 must be registered as “Floor Employee” (“FE”) under BOX on Form U4. Further, the

⁹ See proposed Rule 100(b)(5). Proposed Rule 100(b)(5) is based on PHLX Rule 1000(g). The Exchange notes that proposed Rule 100(b)(5) is slightly different to PHLX Rule 1000(g). Specifically, PHLX Rule 1000(g) considers a member to be “in” on a bid or offer while he remains at the post, unless he shall distinctly and audibly say “out.” The Exchange is requiring the Floor Market Maker to make an affirmative assertion that he is “in”. The Exchange believes that this difference is reasonable and necessary. Requiring an affirmative response by a Floor Market Maker will allow for a more efficient process for executing orders on the Trading Floor. The Exchange is concerned that requiring every Floor Market Maker to affirmatively be “out” on every order before it is executed will lead to unnecessary delays on the Trading Floor and has the potential to cause disruptions. The Exchange notes that CBOE Rule 6.74(a) does not consider members of the trading crowd in on the order; they must respond to the Floor Broker. Additionally, the Exchange is not including part of PHLX Rule 1000(g) that requires a member to audibly say “out” before the Floor Broker submits the order for execution and, if the order is not executed, the member must audibly say “out” before each time the Floor Broker resubmits the order for execution. The Exchange is not including this provision of PHLX’s Rule 1000(g) because, as previously stated, a Floor Market Maker must provide an affirmative response if they want to be in on the trade.

¹⁰ See proposed Rule 7040(d). Proposed Rule 7040(d) is based on PHLX Rule 1033(a).

¹¹ See proposed Rule 7040(d)(2).

¹² See Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009).

¹³ Proposed Rule 7230(f) is based on PHLX Rule 652(c)(2).

¹⁴ The term “Participant” means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in options trading on BOX as an “Order Flow Provider” or “Market Maker”. See Rule 100(a)(40).

¹⁵ See proposed Rule 2020(h). Proposed Rule 2020(h) is based on PHLX Rule 620(a).

Exchange may require successful completion of an examination, in addition to requirements imposed by other Exchange Rules.¹⁶ The Exchange is also proposing to adopt procedures and a timeframe for submitting changes of Trading Floor personnel registration status to the Exchange. Specifically, following the termination of, or the initiation of a change in the status of any such personnel of a Floor Participant who has been issued an Exchange access card and a trading floor badge, the appropriate Exchange form must be completed, approved and dated by a Floor Participant principal, officer, or member of the Floor Participant with authority to do so, and submitted to the appropriate Exchange department as soon as possible, but no later than 9:30 a.m. ET the next business day by the Floor Participant employer. Additionally, the Exchange proposes to specify that every effort should be made to obtain the person's access card and Trading Floor badge and to submit these to the appropriate Exchange department.

The Exchange is proposing Rule 2110, which details the sanctions for breach of regulations on the Trading Floor. Specifically, the rule states that an Options Exchange Official or Exchange Staff may exclude a Floor Participant and any associated person from the Trading Floor and also impose on Floor Participants and their associated persons fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or an Options Exchange Official. Additionally, Exchange Staff may refer the matter for discipline in accordance with the Rule 12000 series.¹⁷ Floor Participants and/or their associated persons may be excluded from the Trading Floor by the Exchange for a period of up to five (5) business days. Proposed Rule 2110(c) covers the situation when a Floor Participant is excluded from the Trading Floor for a period of time. Specifically, if a Floor Participant and/or its associated persons shall be excluded for a period exceeding forty-eight hours, an expedited hearing ("Expedited Hearing") will be held before the Hearing Panel ("Panel"), as provided in Rule 12060, or a member of the Panel designated by the Chairman

¹⁶ See proposed Rule 2020(i). Proposed Rule 2020(i) is based on PHLX Rule 620(b).

¹⁷ See proposed Rules 2110(a) and (b). Proposed Rule 2110 is based on PHLX Rule 60. The Exchange notes that PHLX makes reference to referring disciplinary matters to the Business Conduct Committee, which the Exchange is not including because BOX does not have a Business Conduct Committee. Instead, BOX is proposing to refer certain matters to the Hearing Panel, as provided in Rule 12060.

("Expedited Hearing Officer") within forty-eight (48) business hours after the Floor Participant and/or its associated persons' exclusion from the Trading Floor.¹⁸ The Exchange is also proposing to provide clarity on the procedures dealing with an exclusion from the Trading Floor, including written notice, availability of counsel, and ruling.

Lastly, the Exchange sets forth the procedure to be followed in cases where a pre-set fine of up to \$5,000.00 is summarily assessed for actions related to the Trading Floor and also the procedure to be followed when a Floor Participant and/or its associated persons are to be excluded from the Trading Floor.¹⁹ The proposed procedures for when a pre-set fine of up to \$5,000 is imposed includes the following information: (1) Notice of fine, (2) time and place of hearing, (3) record, (4) procedure, (5) finding, (6) forum fee, (7) no right of appeal, and (8) report to the SEC. The determination that a Floor Participant shall be excluded from the Trading Floor is final; there shall be no appeal from such determination. Additionally, a report to the SEC may be made when a Floor Participant is excluded from the Trading Floor.

The Exchange is proposing to add Rule 2120, which will allow the Exchange to enforce compliance with the Order and Decorum Code for the Trading Floor, as provided in the Exchange's Order and Decorum Policies which shall be distributed to Floor Participants periodically, pursuant to Rule 2110. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, an Options Exchange Official or Exchange Staff may refer the matter to the Panel where it shall proceed in accordance with the Rule 12000 Series as applicable.²⁰

Broker's Blanket Bonds

Currently, Rule 4180 Brokers' Blanket Bond provides that every OFP²¹ approved to transact business with the public and every Clearing Participant²² shall carry Brokers' Blanket Bonds covering officers and employees of the OFP in such form and in such amounts as the Exchange may require. The Exchange is now proposing that any

¹⁸ See proposed Rule 2110(c).

¹⁹ See proposed IM-2110-1 and IM-2110-2.

²⁰ See proposed Rule 2120(a).

²¹ The terms "Order Flow Provider" or "OFP" mean those Options Participants representing as agent Customer Orders on BOX and those non-Market Maker Participants conducting proprietary trading. See Rule 100(a)(45).

²² The term "Clearing Participant" means an Options Participant that is self-clearing or an Options Participant that clears BOX Transactions for other Options Participants of BOX. See Rule 100(a)(13).

Options Participant that has registered solely to conduct business as a Floor Market Maker or Floor Broker and does not conduct business with the public shall be exempt from the provisions of Rule 4180.²³

Doing Business on BOX

The majority of the proposed rules governing the activity on the Trading Floor will be contained in the 7000 series, Doing Business on BOX, of the Exchange's Rules.

Trading on the Exchange Floor

Dealings on the Trading Floor will be limited to the hours that the Exchange is open for transacting business.²⁴ Specifically, the Exchange's normal trading hours for equity options are 9:30 a.m. ET to 4:00 p.m. ET and for options on Exchange-Traded Fund Shares and broad-based indexes transactions may be effected until 4:15 p.m. ET. Additionally, if a Floor Broker wishes for an order to be considered in the opening trade, the Floor Broker must submit the order into the BOX Book²⁵ electronically.²⁶ The Floor Broker may do so from the Trading Floor using their terminal; however, the order will not receive any special or different treatment from any other pre-opening order submitted from off the Trading Floor. Additionally, a Floor Participant who wishes to place a Limit Order on the BOX Book must submit such a Limit Order electronically.²⁷

The Exchange is proposing certain restrictions for dealings on the Trading Floor. Specifically, that no Options Participant shall, while on the Trading Floor, make any transactions with any non-Options Participants in any security admitted to dealing on the Exchange.²⁸ Additionally, no employee of a Floor Participant shall be admitted to the Trading Floor unless that person is registered with and approved by the Exchange.²⁹ The Exchange may in its discretion require the payment of a fee with respect to each employee so approved, and may at any time in its

²³ See proposed Rule 4180(g). Proposed Rule 4180(g) is based on PHLX Rule 705(f)(1)(B).

²⁴ See proposed Rule 7500. Proposed Rule 7500 is based on PHLX Rule 102.

²⁵ The term "Central Order Book" or "BOX Book" means the electronic book of orders on each single option series maintained by the BOX Trading Host. See Rule 100(a)(10).

²⁶ See proposed Rule 7070(d). Proposed Rule 7070(d) is based on PHLX Rule 1017(c).

²⁷ See proposed IM-8510-8. Proposed IM-8510-8 is based on PHLX Rule 1014.18.

²⁸ See proposed Rule 7510. Proposed Rule 7510 is based on PHLX Rule 104.

²⁹ See proposed rule 7520. Proposed Rule 7520 is based on PHLX Rule 443.

discretion withdraw any approval so given.

Floor Brokers

As previously mentioned, the Exchange is proposing two categories of Participants on the Trading Floor; Floor Brokers and Floor Market Makers. A Floor Broker is an individual who is registered with the Exchange for the purpose, wholly on the Trading Floor, of accepting and handling option orders.³⁰ A Floor Broker who wishes to conduct business on the Trading Floor must be registered as a Participant on BOX prior to registering as Floor Broker. A Floor Broker may take into his own account, and subsequently liquidate, any position that results from an error made while attempting to execute, as Floor Broker, an order.

Prior to being admitted to the Trading Floor, a Floor Broker shall file an application in writing with the Exchange staff on such form or forms as the Exchange may prescribe.³¹ The applications received from potential Floor Brokers will be reviewed by the Exchange, which shall consider an applicant's ability as demonstrated by his passing a Floor Broker's examination, if prescribed by the Exchange, and such other factors as the Exchange deems appropriate. After reviewing the Floor Broker's application, the Exchange shall either approve or disapprove the applicant's registration as a Floor Broker.

Responsibilities of Floor Brokers

Floor Brokers will have certain responsibilities while conducting business on the Trading Floor. The proposed rules covering Floor Brokers' responsibilities are based on the rules of another exchange³² with certain differences due to the design and functionality of the Exchange's Trading Floor. Specifically, a Floor Broker handling an order must use due diligence to cause the order to be executed at the best price or prices

³⁰ See proposed Rule 7540. Proposed Rule 7540 is based on PHLX Rule 1060. In addition to the definition in the PHLX Rule, the Exchange is proposing that Floor Brokers must register as Options Participants on BOX prior to registering as a Floor Broker on the Trading Floor. The Exchange believes that this additional requirement is reasonable as it will allow the Exchange to adequately monitor Participants and have uniform registration requirements for all Participants.

³¹ See proposed Rule 7550. Proposed Rule 7550 is based on PHLX Rule 1061.

³² See PHLX Rule 1063. The Exchange notes that it is not including the PHLX requirement that at least one Floor Market Maker be present at the trading post prior to representing an order for execution. The Exchange notes that other options exchanges with floors do not have this requirement.

available to him in accordance with the Rules of the Exchange.³³

Floor Brokers must make a reasonable effort to ascertain whether each order entrusted to them is for the account of a Public Customer or broker-dealer.³⁴ If it is determined the order is for the account of a broker-dealer, the Floor Broker must advise the trading crowd of that fact while announcing the order via public outcry and make the appropriate notation in the their order entry mechanism.

The Exchange is also proposing rules for how a Floor Broker must handle contingency orders that are dependent upon the price of the underlying security and for how a Floor Broker must handle orders he is representing when they are for the account of a Market Maker.³⁵ Specifically, for contingency orders, the Exchange is proposing that the Floor Broker shall be responsible for satisfying the dependency requirement on the basis of the last reported price of the underlying security in the primary market that is generally available on the Trading Floor at any given time. Unless mutually agreed by the Participants involved, an execution or non-execution that results shall not be altered by the fact that such reported price is subsequently found to have been erroneous. For orders from the account of a Market Maker, the Floor Broker must inform that crowd that he is handling an order for the account of a Market Maker and comply with proposed IM-8510-6 and IM-8510-9.³⁶ Lastly, the Exchange is proposing that a Floor Broker shall not be held responsible for the execution of a single order combining different series of options based on transaction prices that are established at the opening or close

³³ See proposed Rule 7570. Proposed Rule 7570 is based on PHLX Rule 155.

³⁴ See proposed IM-7580-2. Proposed IM-7580-2 is based on PHLX Rule 1063.02.

³⁵ See proposed Rules 7580(b) and (d). Proposed Rule 7580(b) is based on CBOE Rule 6.73(b). The Exchange notes that CBOE's Rule provides for "one-cancels-the-other orders," which BOX is not including because the Exchange does not offer these types of orders.

³⁶ See proposed Rule 7580(d). Proposed Rule 7580(d) is based on PHLX Rule 1063(d). PHLX's Rule provides for additional rules to which the Floor Broker must comply than what the Exchange is proposing. Specifically, PHLX Rule 1063(d) cites commentary .10, .11, .12, and .13 to PHLX Rule 1014; however, the Exchange is only proposing to copy commentary .11 and .12 to PHLX Rule 1014, see proposed IM-8510-6 and IM-8510-9. The Exchange is not copying PHLX 1014.10 because it deals with specialist, which the Exchange is not proposing to have on the Trading Floor. Next, the Exchange is not copying PHLX Rule 1014.13, which deals with minimum quantity that a Floor Market Maker must execute in person per quarter, because the Exchange believes that having an in person requirement is an unnecessary restriction and does not fit the Exchange's Trading Floor.

of trading or during any trading rotation.³⁷

As previously mentioned, in order to create an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange's Trading Floor, the Exchange is proposing the BOG to aid Floor Brokers with the execution of orders.³⁸ As such, the Exchange is also proposing that a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders onto the Floor Broker's order entry mechanism. The following specific information with respect to orders represented by a Floor Broker shall be recorded by such Floor Broker or such Floor Broker's employees: (i) The order type (*i.e.*, Public Customer, Professional Customer, broker-dealer, Market Maker) and order receipt time; (ii) the option symbol; (iii) buy, sell, cross or cancel; (iv) call, put, complex (*i.e.*, spread, straddle), or contingency order; (v) number of contracts; (vi) limit price or market order or, in the case of a multi-leg order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position; and (viii) The Options Clearing Corporation ("OCC") clearing number of the broker-dealer that submitted the order. Additionally, a Floor Broker must enter complete identification for all orders entered on behalf of Market Makers. Any additional information with respect to the order shall be inputted contemporaneously upon receipt, which may occur after the representation and execution of the order.

All orders entrusted to a Floor Broker will be considered Not Held Orders, unless otherwise specified by a Floor Broker's client.³⁹ A Not Held Order is an order marked "not held", "take time", or which bears any qualifying notation giving discretion as to the price or time at which such order is to be executed. An order entrusted to a Floor Broker will be considered a Not Held Order, unless otherwise specified by a Floor

³⁷ See proposed Rule 7580(c).

³⁸ See proposed Rule 7580(e)(1). Proposed Rule 7580(e)(1) is based on PHLX Rule 1063(e)(i). PHLX's Rule provides for procedures for submitting orders on the Trading Floor in the event of a malfunction of PHLX's floor order system, which BOX is not including. The Exchange will not allow orders on the Trading Floor in the event that there is a malfunction with the BOG. The Exchange believes that providing a trade ticket backup would raise numerous issues with the audit trail. In the event that the BOG goes down, Participants will still be allowed to submit orders to the Exchange electronically.

³⁹ See proposed IM-7580-3. Proposed IM-7580-3 is based on CBOE Rule 6.73.06.

Broker's client.⁴⁰ Additionally, the Exchange is proposing that it shall be considered conduct inconsistent with just and equitable principles of trade for any Floor Broker or Floor Market Maker to intentionally disrupt the open outcry process.⁴¹

The Exchange is proposing that all transactions occurring on the Trading Floor must be processed through the BOG as provided in proposed Rule 7600 and must be two-sided orders, including multi-leg orders.⁴² Once an order is received by the BOG it is immediately sent to the Trading Host for execution.⁴³ In the event of a malfunction in the BOG or any other related Trading Floor systems, orders will not be allowed to execute on the Trading Floor. When a Floor Broker submits an order for execution through the BOG, the order will be executed based on market conditions and in accordance with Exchange rules.⁴⁴ All orders executed on the Trading Floor must be represented to the trading crowd prior to the order being submitted to the BOG for execution. BOG execution functionality will assist the Floor Broker in clearing the BOX Book, consistent with Exchange priority rules, as described in proposed Rule 7600(c). Orders on the Trading Floor will not route to an away exchange. Floor Brokers are responsible for handling all orders in accordance with Exchange priority and Trade-Through rules.

The Exchange is proposing rules with respect to Floor Brokers and discretionary transactions.⁴⁵ Specifically, no Floor Broker shall execute or cause to be executed any order on the Exchange with respect to which such Floor Broker is vested with discretion as to: (i) The choice of the class of options to be bought or sold, (ii) the number of contracts to be bought or sold, or (iii) whether any such transaction shall be one of purchase or sale. However, these proposed rules shall not apply to any discretionary transactions executed by a Floor Market Maker for an account in which he has an interest. Additionally, no Floor

Broker shall hold a Not Held Market Order to buy and a Not Held Market Order to sell the same series of options for the same account or for accounts of the same beneficial owner.⁴⁶ Also, no Floor Broker shall leg a combination order for a Market Maker or accept opening or discretionary orders for a Market Maker who is associated with the same Options Participant as such Floor Broker or who is associated with another Options Participant which is affiliated with the same Options Participant as such Floor Broker. A Floor Broker may not exercise any discretion with respect to the order of a Market Maker or the order of an options market maker registered on another exchange.⁴⁷

Floor Brokers may use any communication device on the Trading Floor and in any Crowd Area to receive orders, provided that audit trail and record retention requirements of the Exchange are met.⁴⁸ However, no person in a Crowd Area or on the Trading Floor may use any communication device for the purpose of recording activities on the Trading Floor or maintaining an open line of continuous communication whereby a non-associated person not located in the Crowd Area may continuously monitor the activities in the Crowd Area. The ability for Floor Brokers to receive orders while in the Crowd Area is based on the rules of another exchange.⁴⁹

The Exchange is not including certain PHLX rules related to Floor Broker duties to allocate, match and time stamp trades executed in open outcry and to submit the matched trade tickets to the exchange.⁵⁰ BOX does not believe that these rules are necessary because all orders on the Trading Floor are only executed when they are received by the BOG, which will allow the Exchange to capture the required audit trail information.

Qualified Open Outcry Orders—Floor Crossing

As previously mentioned, all orders on the Trading Floor must be two-sided and submitted for execution through the BOG. As such, BOX is proposing to introduce a new order type to facilitate transactions on the Trading Floor. Specifically, the Exchange is proposing to adopt a Qualified Open Outcry (“QOO”) Order type.⁵¹ The proposed QOO Order will only be allowed on the

Trading Floor and only Floor Brokers may use the QOO Order. QOO Orders may be multi-leg orders, including Complex Orders, as defined in Rule 7240(a)(5)⁵² and tied to hedge orders as defined in proposed IM-7600-2. Such hedging position is comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index or Exchange-Traded Fund Shares (“ETF”), a related instrument. A “related instrument” means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. A “related instrument” means, in reference to an ETF option, a futures contract on any economically equivalent index applicable to the ETF underlying the option order. Also, such hedging position is offered, at the execution price received by the Floor Broker introducing the option, to any in-crowd Floor Participant who has established parity or priority for the related options. The QOO Order must be entered as a two-sided order when it is submitted to the Exchange for execution through the BOG. There will be an initiating side and a contra-side to the QOO Order. The initiating side is the side of the QOO Order that must be filled in its entirety. The contra-side must guarantee the full size of the initiating side of the QOO Order and the Floor Broker may provide a book sweep size for the contra-side of the QOO Order as provided in proposed Rule 7600(h). Lastly, a QOO Order will be rejected if there is an ongoing auction on the option series when the QOO Order is received by the Exchange.⁵³ A complex QOO Order will not be rejected if there is an ongoing auction in the options series of some, but not all, of the components of the complex QOO Order.

The Exchange is proposing that the execution price of the QOO Order must be equal to or better than the NBBO.⁵⁴ Additionally, the QOO Order (1) may not trade through any equal or better priced Public Customer bids or offers on the BOX Book or any non-Public

⁴⁰ See proposed Rule 7600(g). Proposed Rule 7600(g) is based on CBOE Rule 6.53(g).

⁴¹ See proposed IM-7580-4.

⁴² See proposed Rule 7580(e)(2).

⁴³ The term “Trading Host” means the automated trading system used by BOX for the trading of options contracts. See Rule 100(a)66.

⁴⁴ See proposed Rule 7580(e)(2). Proposed Rule 7580(e)(2) is based on PHLX Rule 1063(e)(iv). The Exchange notes that the BOG does not include all the same functionality as PHLX; the BOG will not attempt to execute an order multiple times if at first it cannot be executed. The Exchange also notes that Complex Orders are limited to four (4) legs on BOX.

⁴⁵ See proposed Rule 7590. Proposed Rule 7590 is based on PHLX Rule 1065.

⁴⁶ See proposed IM-7590-1.

⁴⁷ See proposed IM-7590-2.

⁴⁸ See proposed Rule 7660(i).

⁴⁹ See CBOE Rule 6.23(c).

⁵⁰ See PHLX Rule 1014(g)(vi).

⁵¹ See proposed Rule 7600.

⁵² The term “Complex Order” means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.

⁵³ See proposed Rule 7600(a)(5).

⁵⁴ See proposed Rule 7600(c).

Customer bids or offers on the BOX Book that are ranked ahead of such equal or better priced Public Customer bids or offers, and (2) may not trade through any non-Public Customer bids or offers on the BOX Book that are priced better than the proposed execution price. The Exchange notes this proposed rule is based on the rules of NYSE Arca.⁵⁵

The Floor Broker must submit the QOO Order through the BOG. The Exchange is proposing that the QOO Order is not deemed executed until the QOO Order is received and processed by the Trading Host. Once the Floor Broker submits the QOO Order to the BOG there will be no opportunity for the submitting Floor Broker to alter the terms of the QOO Order.⁵⁶

The Exchange is additionally proposing that when a Floor Broker executes a Complex QOO Order, the priority and rules for Complex Orders contained in Rule 7240(b)(2) and (3) will continue to apply, except that the Floor Broker may disable the Complex Order Filter under Rule 7240(b)(3)(iii). For Complex QOO Orders, the Complex QOO Orders (1) may not trade through any equal or better priced Public Customer Complex Orders on the Complex Order Book⁵⁷ or any non-Public Customer Complex Orders on the Complex Order Book that are ranked ahead of such equal or better priced Public Customer Complex Orders, and (2) may not trade through any non-Public Customer Orders on the Complex Order Book that are priced better than the proposed execution price.

As mentioned above, the Exchange is also proposing to amend the current rules related to Complex Orders on the Exchange in order to incorporate the trading of Complex Orders on the Trading Floor. Currently, incoming Complex Orders to the Exchange are filtered to ensure that each leg of a Complex Order will be executed at a price that is equal to or better than the NBBO and BOX BBO.⁵⁸ The Exchange is now proposing that Floor Brokers may disable, on an order by order basis, the NBBO aspect of this protection for Complex Orders executed on the Trading Floor. The Exchange notes that other options exchanges do not require

the legs of a Complex Order be executed at a price that is equal to or better than the NBBO and exchange BBO.⁵⁹

All QOO Orders must be represented to the trading crowd prior to the QOO Order being submitted to the BOG for execution.⁶⁰ This negotiation and agreement that occurs in the trading crowd does not result in a final trade, but rather a “meeting of the minds” that is then submitted through the BOG for execution. The submitting Floor Broker must announce the order to the trading crowd and give Floor Participants a reasonable opportunity to respond to the QOO Order. An Options Exchange Official will certify that the Floor Broker adequately represented the QOO Order to the trading crowd.⁶¹

The Exchange believes that by having the QOO Order execute when it is received by the BOG, the Exchange is providing a system that will prevent executions that appear to be at prices that are worse than the NBBO due to the fact that on traditional open-outcry floors the time that the execution is printed may be substantially after the time an execution actually occurred on the trading floor. The Exchange believes that having the QOO Order execute when it is submitted to the BOG will minimize trade-through violations and provide an accurate and sequential audit trail. The Exchange notes that this is the same way executions on PHLX occur.⁶²

The Exchange is proposing that the initiating side of the QOO Order will first execute against any bids or offers that have priority pursuant to proposed Rule 7600(c), provided that an adequate book sweep size pursuant to proposed Rule 7600(h) was provided by the Floor Broker, and then the remaining balance will be executed through the Trading Host against the contra-side of the QOO Order.⁶³ The executing Floor Broker will be responsible for ensuring that any Floor Participant that responded with interest during the Market Probe outlined in 7600(b) receives their allocation. The Exchange is also proposing that the QOO Order will not route to an away exchange, however, the QOO Order will not trade through any away exchange displaying a better price than the proposed execution price for the QOO Order on the Trading Floor.⁶⁴

The Exchange is proposing to provide a book sweep size on the Trading Floor to help Floor Brokers execute orders when there are bids or offers on the BOX Book that have priority over the QOO Order.⁶⁵ Specifically, a Floor Broker may, but is not required to, provide a book sweep size for the contra-side of the QOO Order. The book sweep size is the number of contracts, if any, of the contra-side of the QOO Order that the Floor Broker is willing to relinquish to interest on the BOX Book that has priority pursuant to proposed Rule 7600(c). Specifically, any equal or better priced Public Customer bids or offers on the BOX Book or any non-Public Customer bids or offers on the BOX Book that are ranked ahead of such equal or better priced Public Customer bids or offers, and any non-Public Customer bids or offers on the BOX Book that are priced better than the proposed execution price. If the number of contracts on the BOX Book that have priority over the contra-side order is greater than the book sweep size, then the QOO Order will be rejected by the BOG. If the number of contracts on the BOX Book that have priority over the contra-side order is less than or equal to the book sweep size, then the QOO Order will be allowed to execute by the BOG. In such case, the initiating side will execute against interest on the BOX Book with priority and then the remaining quantity will execute against the contra-side order. The Exchange believes that this proposed feature will aid Floor Brokers in having more of their executions accepted by the system and will benefit the market as a whole by providing a tool to assist Floor Brokers in executing orders when there is priority interest on the BOX Book. Additionally, the book sweep size will provide increased opportunity for orders on the BOX Book to be executed. The Exchange notes, however, that it shall be considered conduct inconsistent with just and equitable principles of trade for any Floor Broker to use the book sweep size for the purpose of violating the Floor Broker's duties and obligations.⁶⁶

The Exchange notes that another exchange provides functionality to help Floor Brokers clear the electronic book.⁶⁷ PHLX's system has functionality

⁵⁵ See NYSE Arca Rules 6.47 and 6.75. The Exchange notes that it is providing an additional provision that NYSE Arca does not have in its Rule. Specifically, the Exchange is providing for a book sweep size as provided in proposed Rule 7600(h).

⁵⁶ The Exchange notes that the processing of an incoming QOO Order by the Exchange is instantaneous.

⁵⁷ The term “Complex Order Book” means the electronic book of Complex Orders maintained by the BOX Trading Host. See Rule 7240(a)(6).

⁵⁸ See Rule 7240(b)(3)(iii).

⁵⁹ See ISE Rule 722(b)(3).

⁶⁰ See proposed Rule 7600(b). Proposed Rule 7600(b) is based on NYSE Arca Rule 6.47(a)(1).

⁶¹ The Options Exchange Official will have a terminal that will allow them to certify that the Floor Broker adequately represented the QOO Order to the trading crowd.

⁶² See PHLX Rule 1063(e)(iv).

⁶³ See proposed Rule 7600(d).

⁶⁴ See proposed Rule 7600(e).

⁶⁵ See proposed Rule 7600(h).

⁶⁶ See proposed IM-7600-3.

⁶⁷ PHLX's Floor Broker Management System (“FBMS”) provides execution functionality that will assist the Floor Broker in clearing the exchange book, consistent with exchange priority rules. See PHLX Rule 1063(e)(iv). Additionally, if a Floor Broker on PHLX enters a two-sided order through the FBMS, and there is interest on the PHLX electronic book at a price that would prevent the

that will return the order to the Floor Broker if, after attempting to execute the order multiple times, the order cannot be executed. The Exchange believes this is similar to the proposed book sweep size that may result in a Floor Broker's order not executing once it is submitted.⁶⁸

The following are examples of how the QOO Order will operate on the Trading Floor.

Example #1—Execution of a QOO Order

The following example is designed to illustrate a QOO Order executing.

- NBBO (excluding BOX) 3.00–3.13

- NBBO (including BOX) 3.09–3.13
- QOO Order for 100 at 3.10 (initiating side is sell)
- Book sweep size = 0.

BOX BOOK

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| MM1 | 150 | 3.09 | 3.15 | 10 | MM2. |
| BD1 | 15 | 3.08 | 3.16 | 10 | MM3. |

Result: QOO Order is accepted because the price of the QOO Order (\$3.10) is better than the NBBO (including BOX) on both the initiating side (\$3.13) and the contra-side (\$3.09).

Example #2—Capping of the Book Sweep Size

The following example illustrates how the Exchange will handle a QOO Order that is submitted with a book sweep size that is greater than the size of the QOO Order.

- NBBO (excluding BOX) 3.00–3.13
- NBBO (including BOX) 3.09–3.13
- QOO Order for 100 at 3.10 (initiating side is sell)
- Book sweep size = 200 (will be capped at the size of the QOO Order (100)).

BOX BOOK

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| MM1 | 150 | 3.09 | 3.15 | 10 | MM2. |
| BD1 | 15 | 3.08 | 3.16 | 10 | MM3. |

Result: QOO Order is accepted because the price of the QOO Order (\$3.10) is better than the NBBO (including BOX) on both the initiating side (\$3.13) and the contra-side (\$3.09).

Example #3—Rejecting a QOO Order Based on the NBBO

The following example illustrates how the Exchange will handle a QOO Order that is priced outside of the NBBO.

- NBBO (excluding BOX) 3.08–3.20
- NBBO (including BOX) 3.09–3.15
- QOO Order for 100 at 3.17 (initiating side is sell)
- Book sweep size = 100.

BOX BOOK

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| MM1 | 50 | 3.09 | 3.15 | 10 | MM2. |
| BD1 | 20 | 3.08 | 3.16 | 10 | MM3. |

Result: QOO Order is rejected because the price of the QOO Order (3.17) is worse than the NBBO (including BOX) (3.15) on the initiating side of the QOO Order.

Example #4—Executing of a QOO Order Utilizing the Book Sweep Size

The following example illustrates a QOO Order that utilizes the book sweep size and therefore executes against interest on the BOX Book.

- NBBO (excluding BOX) 3.07–3.20
- NBBO (including BOX) 3.09–3.15
- QOO Order for 100 at 3.09 (initiating side is sell)
- Book sweep size = 100.

Floor Broker's order from executing, the FBMS will provide the Floor Broker with the quantity of contracts on the electronic book that have priority and need to be satisfied before the Floor Broker's order can execute at the agreed upon price. If the Floor Broker wishes to still execute his order, he can cause a portion of the floor based order to trade against this priority interest on the electronic book, thereby clearing the interest and permitting the remainder of the Floor Broker's order to trade at the

desired price. The PHLX FBMS functionality is optional, and a Floor Broker can decide not to trade against the electronic book and therefore not execute his two-sided order at the particular price. See Securities Exchange Act Release No. 68960 (February 20, 2013), 78 FR 13132 (February 26, 2013) (SR-Phlx-2013-09).

⁶⁸ The Exchange notes that the proposed functionality of the BOG on BOX will not attempt to execute an order multiple times. Instead, if, due

to the book sweep size provided by the Floor Broker, the order cannot be executed by the BOG immediately, it will be rejected back to the Floor Broker. The similarity is in the fact that in both situations an order will not execute on the Trading Floor and will be rejected back to the Floor Broker. The Exchange believes that this difference between the Exchange and PHLX will incentivize Floor Brokers on BOX to provide an adequate book sweep size if they want the order to immediately execute.

BOX BOOK

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC1 | 50 | 3.09 | 3.15 | 10 | MM2. |
| PC2 | 50 | 3.08 | 3.16 | 10 | MM3. |

Result: QOO Order is accepted, as the contra-side is willing to relinquish the full quantity of the initiating side. The initiating order will trade 50 contracts against PC1 at 3.09, and then the remaining 50 contracts will trade at 3.09 against the contra-side.

Example #5—Insufficient Book Sweep Quantity

The following example is designed to illustrate the situation where an executing Floor Broker did not provide an adequate book sweep size to have the

QOO Order execute immediately when it was submitted to the BOG.

- NBBO 3.09–3.15
- QOO Order for 100 at 3.09 (initiating side is sell)
- Book sweep size = 40.

BOX BOOK

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC1 | 50 | 3.09 | 3.15 | 10 | MM2. |
| PC2 | 50 | 3.08 | 3.16 | 10 | MM3. |

Result: QOO Order is rejected, as the contra-side is not willing to relinquish adequate quantity of the initiating side. Specifically, the book sweep size of 40 is not sufficient to satisfy PC1’s 50 contracts which have priority. Upon rejection, the Floor Broker may: (i)

Increase the book sweep size and resubmit the order; or (ii) not trade the order on BOX.

Example #6—Trading Through an Away Exchange

The following example is designed to illustrate how the BOG will handle a

QOO Order that is submitted at a price that would trade-through an away exchange.

- NBBO 3.09–3.13
- QOO Order for 100 at 3.14 (initiating side is buy)
- Book sweep size = 100.

BOX BOOK

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| MM1 | 50 | 3.09 | 3.15 | 10 | MM2. |
| BD1 | 20 | 3.08 | 3.16 | 10 | MM3. |

Result: QOO Order is rejected because the price of the QOO Order (3.14) is worse than the NBBO (3.13) on the contra-side of the QOO Order. The QOO Order is rejected even though the price of the QOO is better than the interest on the BOX Book on the initiating side (3.09) and the contra-side (3.15). A QOO Order will not route to an away exchange, however, the QOO will not

trade through any away exchange displaying a better price.

Example #7—Complex QOO Order on the Trading Floor

The following is an example of an execution of a Complex QOO Order on the Trading Floor.

- Complex QOO Order for 100 of A+B at 2.01 (initiating side is buy)

• Floor Broker has disabled the away NBBO filter for the Complex QOO Order

- Book sweep size = 100
- NBBO for Complex Order⁶⁹ A+B is 3.06 – 3.20
 - BOX BBO for Complex Order⁷⁰ A+B is 2.00 – 3.20.

BOX BOOK FOR COMPLEX ORDER A+B

| Account | Quantity | Buy | Sell | Quantity | Account |
|---------|----------|-----|------|----------|---------|
| | | | | | |
| | | | | | |

⁶⁹The NBBO for Complex Orders is based on the NBBO for the individual options components of such Complex Order.

⁷⁰The BOX BBO for Complex Orders is the best net bid and offer price based on the best bid and offer on the BOX Book for the individual options components of the Complex Order.

BOX BOOK INSTRUMENT A

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC1 | 10 | 1.00 | 1.10 | 10 | PC2. |

BOX BOOK INSTRUMENT B

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| BD1 | 10 | 1.00 | 2.10 | 10 | BD2. |

Result: Complex QOO Order is accepted because the price of the Complex QOO Order (2.01) is better than the BOX BBO on the initiating side (2.00) and the contra-side (3.20). Additionally, since the NBBO filter has been disabled by the Floor Broker, the Complex QOO Order will ignore the NBBO for Complex Order A+B (3.06 –

3.20). Even when the Complex QOO Order ignores the away NBBO, it must still respect interest on BOX.

Example #8—Complex QOO Order Rejected Due to the Book Sweep Size

The following is an example of a Complex QOO Order that is rejected by the BOG because the Floor Broker did

not provide an adequate book sweep size to satisfy the resting interest on the Complex Order Book.

- Complex QOO Order for 100 of A+B at 3.07 (initiating side is sell)
- Book sweep size = 25
- NBBO for Complex Order A+B is 3.06 – 3.20.

BOX BOOK FOR COMPLEX ORDER A+B

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| MM1 | 50 | 3.10 | | | |

BOX BOOK INSTRUMENT A

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC1 | 10 | 1.06 | 1.10 | 10 | PC2. |

BOX BOOK INSTRUMENT B

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| BD1 | 100 | 2.00 | 2.10 | 100 | BD2. |

Result: Complex QOO Order is rejected because the book sweep size is not adequate to satisfy the resting A+B Complex Orders on the Complex Order Book at 3.10 (50). If, however, the book sweep size was for at least 50 A+B, the Complex QOO Order would execute by having 50 A+B execute against the resting Complex Orders on the Complex

Order Book at 3.10. The remaining 50 A+B would execute against the contra-side order at 3.07.

Example #9—Complex QOO Order Executing Against BOX Book Interest

The following example is designed to illustrate the situation where the Complex QOO Order executes against

Implied Orders⁷¹ and resting Complex Orders on the Complex Order Book.

- Complex QOO Order for 100 of A+B at 3.04 (initiating side is sell)
- Book sweep size = 100
- NBBO (with BOX) for Complex Order A+B is 3.06 – 3.20
- NBBO (without BOX) for Complex Order A+B is 3.04 – 3.20.

BOX BOOK FOR COMPLEX ORDER A+B

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| MM1 | 60 | 3.06 | | | |

⁷¹ An "Implied Order" is a Complex Order at the cNBBO, derived from the orders at the BBO on the BOX Book for each component leg of a Strategy,

provided each component leg is at a price equal to NBBO for that series. See Rule 7240(d)(1).

BOX BOOK INSTRUMENT A

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC1 | 10 | 1.06 | 1.10 | 10 | PC2. |
| MM2 | 90 | 1.05 | | | |

BOX BOOK INSTRUMENT B

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| BD1 | 100 | 2.00 | 2.10 | 100 | BD2. |

Result: Complex QOO Order is accepted because the contra-side is willing to relinquish the full quantity of the initiating side. The initiating side will execute against resting orders of the individual legs and resting A+B Complex Orders. Specifically, 10 A+B of the initiating side will execute against an Implied Order at 3.06 (leg A at 1.06 and leg B at 2.00), 60 A+B will execute

at 3.06 against resting A+B Complex Order and 30 A+B against an Implied Order at 3.05 (leg A at 1.05 and leg B at 2.00).

Example #10—Complex QOO Order Executing Against BOX Book Interest With Remaining Interest

The following example illustrates how the Exchange will handle a

Complex QOO Order that executes against BOX Book interest first but leaves interest on the BOX Book.

- Complex QOO Order for 100 of A+B at 3.04 (initiating side is sell)
- Book sweep size = 100
- NBBO (with BOX) for Complex Order A+B is 3.06 – 3.20
- NBBO (without BOX) for Complex Order A+B is 3.04 – 3.20.

BOX BOOK FOR COMPLEX ORDER A+B

| Account | Quantity | Buy | Sell | Quantity | Account |
|---------|----------|-----|------|----------|---------|
| | | | | | |

BOX BOOK INSTRUMENT A

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC1 | 10 | 1.06 | 1.10 | 10 | PC2. |

BOX BOOK INSTRUMENT B

| Account | Quantity | Buy | Sell | Quantity | Account |
|-----------|----------|------|------|----------|---------|
| PC3 | 20 | 2.00 | 2.10 | 100 | BD2. |

Result: Complex QOO Order is accepted. The initiating side will execute against resting orders of the individual legs and then against the contra-side. Specifically, 10 A+B of the initiating side will execute against an Implied Order at 3.06 (leg A at 1.06 and leg B at 2.00), and 90 will execute against the contra-side at 3.04. The unexecuted interest on the BOX Book remains after the executing of the Complex QOO Order.

Guarantee

The Exchange is proposing to allow for a participation guarantee for certain orders executed by Floor Brokers on the Trading Floor.⁷² Specifically, when a

Floor Broker holds an option order of the eligible order size or greater, the Floor Broker is entitled to cross a certain percentage of the original order with other orders that the Floor Broker is holding. The Exchange may determine, on an option by option basis, the eligible size for an order on the Trading Floor to be subject to this guarantee; however, the eligible order size may not be less than 500 contracts.⁷³ In determining whether an order satisfies the eligible order size requirement, any multi-part or spread order must contain one leg alone which is for the eligible order size or greater. The percentage of

the order which a Floor Broker is entitled to cross, after all equal or better priced Public Customer bids or offers on the BOX Book and any non-Public Customer bids or offers that are ranked ahead of such Public Customer bids or offers are filled, is 40% of the remaining contracts in the order. However, nothing in this proposed Rule is intended to prohibit a Floor Broker from trading more than their percentage entitlement if the other Participants of the trading crowd do not choose to trade the remaining portion of the order.

Additional Requirements

The Exchange is proposing additional requirements for Floor Participants while present on the Trading Floor.⁷⁴

⁷² See proposed Rule 7600(f). Proposed Rule 7600(f) is based on PHLX Rule 1064.02. The Exchange notes that there are certain differences from the PHLX rule due to the fact that the

Exchange will not have specialists on the Trading Floor and the Exchange has different rules than PHLX when it comes to orders on the Trading Floor executing against interest on the electronic book.

⁷³ Any changes to the eligible order size shall be communicated to Participants via circular.

⁷⁴ See proposed IM-7600-1. Proposed IM-7600-1 is based on PHLX Rule 1064.02. The Exchange

First, BOX is proposing that a Floor Broker must disclose all securities that are components of the Public Customer Order before requesting bids and offers for the execution of all components of the order. Next, the Exchange is proposing rules pertaining to treatment of quotes provided by Floor Participants. Specifically, a quote provided by a Floor Participant will remain in effect until: (1) A reasonable amount of time has passed; or (2) there is a significant change in the price of the underlying security;⁷⁵ or (3) the market given in response to the request has been improved.⁷⁶ BOX is proposing that the Floor Participant who established the market will, at the given price, have priority over all other orders that were not represented in the trading crowd at the time that the market was established. The Exchange is proposing that Floor Participants may not prevent a spread, straddle, stock-option, or combination cross from being completed by giving a competing bid or offer for one component of such order. Lastly, the Exchange is proposing that if a Floor Broker is crossing a Public Customer Order with an order that is not a Public Customer Order, when providing an opportunity for the trading crowd to participate in the transaction, shall disclose that Public Customer Order that is subject to crossing.

Tied Hedge

BOX is proposing the adoption of rules that will allow for tied hedge transactions. Tied hedge transactions are transactions that involve an option transaction and a hedging transaction occurring on a non-option market, as described in greater detail below.⁷⁷ Specifically, the Exchange is proposing that nothing prohibits a Floor Broker from buying or selling a stock, security futures, or futures position following receipt of an option order, including a Complex Order, provided that, prior to announcing such order to the trading crowd certain conditions are met. The option order must be in a class designated as eligible for tied hedge transactions as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller

notes that there are certain differences from the PHLX rule in order to account for the fact that BOX will not have specialists on the Trading Floor.

⁷⁵ In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by an Options Exchange Official based upon the extent of the recent trading in the option and in the underlying security, and any other relevant factors.

⁷⁶ See proposed IM-7600-1(b).

⁷⁷ See proposed IM-7600-2. Proposed IM-7600-2 is based on NYSE Arca Rule 6.47.01.

than 500 contracts per order. Additionally, there shall be no aggregation of multiple orders to satisfy the size parameter, and for Complex Orders involved in a tied hedge transaction at least one leg must meet the minimum size requirement. The Floor Broker must create an electronic record that it is engaged in a tied hedge transaction in a form and manner prescribed by the Exchange. The hedging position is comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index or Exchange-Traded Fund Shares ("ETF"), a related instrument.⁷⁸ Additionally, the hedging position must be brought without undue delay to the trading crowd and announced concurrently with the option order; offered to the trading crowd in its entirety; and offered, at the execution price received by the Floor Broker introducing the option, to any in-crowd Floor Participant who has established parity or priority for the related options. The hedging position must not exceed the option order on a delta basis to be eligible for treatment as a tied hedge order.

The Exchange is further proposing that all tied hedge transactions (regardless of whether the option order is a simple or Complex Order) are treated the same as Complex Orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO Trade-Through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order, the execution of the option leg of a tied hedge transaction does not qualify for the NBBO Trade-Through exception for a Complex Trade (defined in proposed Rule 7610(e)). Floor Participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order. In the event the conditions in the non-options

⁷⁸ A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. A "related instrument" means, in reference to an ETF option, a futures contract on any economically equivalent index applicable to the ETF underlying the option order.

market prevent the execution of the non-option leg(s) at the agreed prices, the trade representing the options leg(s) may be cancelled. BOX is proposing that prior to entering tied hedge orders on behalf of Public Customers, the Floor Broker must deliver to the Public Customer a written notification informing the Public Customer that his order may be executed using the Exchange's tied hedge procedures. The proposed rule dealing with tied hedge orders is based on the rules of another options exchange.⁷⁹

Priority in the Trading Crowd

The Exchange is proposing rules for determining priority of bids and offers on the Trading Floor.⁸⁰ Specifically, the highest (lowest) bid (offer) shall have priority, when two or more bids (offers) represent the highest (lowest) price, priority shall be afforded to such bids (offers) in the sequence in which they were made. If, however, the bids (offers) of two or more Floor Participants are made simultaneously, or if it is impossible to determine clearly the order of time in which they are made, such bids (offers) will be deemed to be on parity and priority will be afforded to them, insofar as practicable, on an equal basis. BOX is proposing that the Floor Broker will be responsible for determining the sequence in which bids or offers are vocalized on the Trading Floor from Floor Participants in response to the Floor Broker's bid, offer, or call for a market. Any disputes

⁷⁹ See NYSE Arca Rule 6.47.01.

⁸⁰ See proposed Rule 7610. Proposed Rule 7610 is based on NYSE Arca Rule 6.75. The Exchange notes that it is not including certain sections of the NYSE Arca rule that apply to Lead Market Maker guarantee participation because the Exchange will not have Lead Market Makers on the Trading Floor. Specifically, a Lead Market Maker on NYSE Arca that establishes first priority during the vocalization process is entitled to buy or sell as many contracts as the Floor Broker may have available to trade. Additionally, on NYSE Arca, if the Lead Market Maker establishes some other priority other than first, the Lead Market Maker is entitled to buy or sell the number of contracts equal to the Lead Market Maker's guaranteed participation level. The Exchange is also omitting sections of the NYSE Arca rule that cover manual executions on the trading floor because the Exchange is requiring that all orders on the Trading Floor will not execute until they are submitted to the BOG. Lastly, the Exchange is not including provisions of NYSE Arca's rule that apply to stock-option orders because the Exchange does not offer this type of order. Additionally, the Exchange is not including the same level of detail as NYSE Arca does when referring to the actions that an Options Exchange Official can take when there is a dispute regarding a Floor Broker's determination of time priority on the Trading Floor. The Exchange believes that by allowing an Options Exchange Official the ability to nullify a transaction or adjust its terms when the transaction violated the Exchange's Rules will provide the Exchange with the ability to better monitor and enforce the Exchange's Rules on the Trading Floor.

regarding a Floor Broker's determination of time priority sequence will be resolved by the Options Exchange Official. An Options Exchange Official may nullify a transaction or adjust its terms if they determine the transaction to have been in violation of Exchange Rules.

The Exchange is proposing that the Floor Participant with first priority is entitled to buy or sell as many contracts as the Floor Broker may have available to trade. If there are any contracts remaining, the Floor Participant with second priority will be entitled to buy or sell as many contracts as there are remaining in the Floor Broker's order, and so on, until the Floor Broker's order has been filled entirely. An Options Exchange Official has the same responsibilities as a Floor Broker when the Options Exchange Official calls for a market.

The Exchange's proposed rules will also cover the situation where a Floor Broker requests a market in order to fill a large order and the Floor Participants provide a collective response.⁸¹ In such situation, if the size of the response, in the aggregate, is less than or equal to the size of the order to be filled, the Floor Participants will each receive a share of the order that is equal to the size of their respective bids or offers. If, however, the size of the response exceeds the size of the order to be filled, that order will be allocated on a size pro rata basis. Specifically, in such circumstances, the size of the order to be allocated is multiplied by the size of an individual Floor Participant's quote divided by the aggregate size of all Floor Participants' quotes. For example, assume there are 200 contracts to be allocated, Floor Market Maker #1 is bidding for 100, Floor Market Maker #2 is bidding for 200 and Floor Market Maker #3 is bidding for 500. Under the "size pro rata" allocation formula, Floor Market Maker #1 will be allocated 25 contracts ($200 \times 100 \div 800$); Floor Market Maker #2 will be allocated 50 contracts ($200 \times 200 \div 800$); and Floor Market Maker #3 will be allocated 125 contracts ($200 \times 500 \div 800$).

Split Price Transactions

The Exchange is proposing rules for split price transactions occurring on the Trading Floor.⁸² Specifically, if a Floor Participant purchases (sells) one or more option contracts of a particular series at a particular price or prices, the Floor Participant must, at the next lower (higher) price at which another Floor Participant bids (offers), have priority in

purchasing (selling) up to the equivalent number of option contracts of the same series that the Floor Participant purchased (sold) at the higher (lower) price or prices, provided that the Floor Participant's bid (offer) is made promptly and continuously and that the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). The Exchange notes that this proposed Rule 7610(f) only applies to transactions effected on the Trading Floor. Further, the priority afforded by this proposed Rule 7610(f) is effective only insofar as it does not conflict with Public Customer Orders represented in the BOX Book. Such orders have precedence over Floor Participants' orders at a particular price; Public Customer Orders in the BOX Book also have precedence over Floor Participants' orders that are not superior in price by at least one minimum trading increment.

Additionally, if a Floor Participant purchases (sells) 50 or more option contracts of a particular series at a particular price or prices, the Floor Participant shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that the Floor Participant purchased (sold) at the higher (lower) price or prices, but only if the Floor Participant bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of the transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). The Exchange may increase the minimum qualifying order size above 100 contracts for split price priority for all products. Announcements regarding changes to the minimum qualifying order size shall be made via Circular. If the bids or offers of two or more Floor Participants are both entitled to priority in accordance with paragraphs (1) and (2) of proposed Rule 7610(f), it shall be afforded them, insofar as practicable, on an equal basis.

The Exchange is also proposing to add clarifying language with respect to split price priority that provides that Floor Participants who bid (offer) on behalf of a non-Market Maker Participant must ensure that the non-Market Maker Participant qualifies for an exemption from Section 11(a)(1) of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T), otherwise the Floor Participant must yield priority to orders for the accounts of non-Participants. The Exchange notes that the proposed

rule providing for split price priority is similar to the rule of another exchange.⁸³

Orders Executed Manually

The Exchange is proposing Rule 7620 Orders Executed Manually to make clear how priority on the Trading Floor will be established based on account type.⁸⁴ As mentioned above, Public Customer Orders on the BOX Book, along with any bids and offers of non-Public Customers ranked ahead of such Public Customer Orders on the BOX Book, have first priority. Multiple Public Customer and non-Public Customer Orders at the same price are ranked based on time priority. Bids and offers of Floor Participants in the trading crowd have second priority. These bids and offers include those made by Floor Market Makers and Floor Brokers (on behalf of orders they are representing). Bids and offers of non-Public Customers on the BOX Book ranked behind any Public Customer Orders at the same price have third priority. Such bids and offers of non-Public Customers will be executed on time priority. The Exchange is also proposing language related to Section 11(a)(1)(G) of the Exchange Act. Specifically, Floor Brokers relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder ("G exemption rule") as an exemption must also yield priority to any equal-priced non-member bids or offers on the BOX Book.

Clerks

The Exchange is proposing to adopt Rule 7630 Clerks, which provides requirements for Clerks on the Trading Floor.⁸⁵ The proposal defines "Clerk" as any registered on-floor person employed by or associated with a Floor Broker or Floor Market Maker and is not eligible to effect transactions on the Trading Floor as a Floor Market Maker or Floor Broker. The proposed rule codifies that Clerks must display the badge(s) supplied by the Exchange while on the Trading Floor. Further, Proposed Rule 7630(c) codifies that a Clerk shall be primarily located at a workstation assigned to their employer or assigned to their employer's clearing firm unless such Clerk is (1) entering or leaving the Trading Floor, (2) transmitting, correcting or checking the status of an order or reporting or correcting an executed trade or (3) supervising other Clerks if he is identified as a supervisor

⁸³ See NYSE Arca Rule 6.75(h).

⁸⁴ Proposed Rule 7620 is based on NYSE Arca Rule 6.76(d).

⁸⁵ Proposed Rule 7630 is based on PHLX Rule 1090.

⁸¹ See proposed Rule 7610(d)(5).

⁸² See proposed Rule 7610(f).

on the registration form submitted to the Exchange's Membership Department.

The Exchange is also proposing Rule 7630(d), which details the registration requirements for a Floor Broker who employs a Clerk that performs any function other than a solely clerical or ministerial function. On the Trading Floor, a Clerk may enter an order under the direction of a Floor Broker by way of any order handling entry device.⁸⁶ Proposed Rule 7630(f) defines a Floor Market Maker Clerk as any on-floor Clerk employed by or associated with a Floor Market Maker, and details the registration requirements and conduct on the Trading Floor for Floor Market Maker Clerks. A Floor Market Maker Clerk is permitted to communicate verbal market information (*i.e.*, bid, offer, and size) in response to requests for such information, provided that such information is communicated under the direct supervision of his or her Floor Market Maker employer. A Floor Market Maker Clerk may consummate electronic transactions under the express direction of his or her Floor Market Maker employer by matching bids and offers. Such bids and offers and transactions effected under the supervision of a Floor Market Maker are binding as if made by the Floor Market Maker employer.

Disputes on the Trading Floor

The Exchange is proposing to adopt Rule 7640 to codify the process for resolution of trading disputes on Trading Floor.⁸⁷ Specifically, disputes occurring on and relating to the Trading Floor, if not settled by agreement between the Floor Participants interested, shall be settled by an Options Exchange Official.

The Exchange is proposing that an Options Exchange Official shall institute the course of action deemed to be most fair to all parties under the circumstances at the time when issuing decisions for the resolution of trading disputes. An Options Official may direct the execution of an order on the Trading Floor or adjust the transaction terms or Participants to an executed order on the Trading Floor, and may also nullify a transaction if the transaction is determined to have been in violation of Exchange Rules. Options transactions that are the result of an Obvious Error or Catastrophic Error shall be subject to the provisions and procedures set forth

in Rule 7170. The proposed rule also states that all rulings rendered by an Options Exchange Official are effective immediately and must be complied with promptly; failure to do so may result in an additional violation. Furthermore, failure to promptly comply with other Options Exchange Official rulings issued pursuant to the Exchange's Order and Decorum Policies (Rule 2120) or violation of any additional Trading Floor policies and not concerning a trading dispute may result in an additional violation.

Proposed Rule 7640(d) states that Options Exchange Official rulings issued pursuant to the Order and Decorum Code are reviewable pursuant to IM-2110-1. All other Options Exchange Official rulings are reviewable pursuant to paragraph (e) of proposed Rule 7640. Proposed Rule 7640(e) states that all Options Exchange Official rulings are reviewable by the CRO or his or her designee, and sets forth the process for such review. Regulatory staff must be advised within 15 minutes of an Options Exchange Official's ruling that a party to such ruling has determined to appeal from such ruling to the CRO or his or her designee. The Exchange may establish the procedures for the submission of a request for a review of an Options Exchange Official ruling. Options Exchange Official rulings (including those concerning the nullification or adjustment of transactions) may be sustained, overturned, or modified by the CRO or his or her designee. In making a determination, the CRO or his or her designee may consider facts and circumstances not available to the ruling Options Exchange Official, as well as action taken by the parties in reliance on the Options Exchange Official's ruling (*e.g.*, cover, hedge, and related trading activity). Further, all decisions made by the CRO or his or her designee in connection with initial rulings on requests for relief and with the review of an Options Exchange Official ruling pursuant to this proposed Rule 7640(e) shall be documented in writing and maintained by the Exchange in accordance with the record keeping requirements set forth in the Securities Exchange Act of 1934, as amended, and the rules thereunder. A Floor Participant seeking review of an Options Exchange Official ruling shall be assessed a fee of \$250.00 for each Options Exchange Official ruling to be reviewed that is sustained and not overturned or modified by the CRO or his or her designee.⁸⁸ All decisions of

⁸⁸ In addition, in instances where the Exchange, on behalf of an Options Participant, requests a

the CRO or his or her designee shall be final and may not be appealed to the Exchange's Board of Directors. Additionally, all decisions of the CRO or his or her designee are effective immediately and must be complied with promptly. Failure to promptly comply with a decision of Exchange may result in an additional violation.

Lastly, as discussed in proposed IM-7640-1, the Exchange may determine that an Options Exchange Official is ineligible to participate in a particular ruling where it appears that such Options Exchange Official has a conflict of interest. The Exchange also sets forth when a conflict of interest exists, and allows that Exchange staff may consider other circumstances, on a case-by-case basis, in determining the eligibility or ineligibility of a particular Options Exchange Official to participate in a particular ruling due to a conflict of interest.⁸⁹

Trading for Joint Account

The Exchange is proposing Rule 7650, which will govern Trading for Joint Accounts.⁹⁰ Specifically, it stipulates that while on the Trading Floor, no Options Participant shall initiate the purchase or sale on the Exchange of any security for any account in which he, his Options Participant organization or a participant therein, is directly or indirectly interested with any person other than such Options Participant or participant therein. The Exchange further clarifies that these provisions shall not apply to any purchase or sale by any Options Participant for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions.

Communications and Equipment

The Exchange is proposing Rule 7660 Communications and Equipment, which deals with communication and equipment on the Trading Floor. Specifically, the proposed rule details which communication devices are prohibited; provides the Exchange with the ability to remove any communication device that is in violation; sets forth the registration requirement and process; specifies the capacity and functionality of communication devices; outlines the communication devices allowed to Floor Market Makers, Floor Brokers, and Clerks; requires the maintenance of telephone records, and excludes the

review by another options exchange, the Exchange will pass any resulting charges through to the relevant Options Participant.

⁸⁹ See proposed IM-7640-1.

⁹⁰ Proposed Rule 7650 is based on PHLX Rule 772.

⁸⁶ See proposed Rule 7630(e).

⁸⁷ Proposed Rule 7640 is based on PHLX Rule 124. The Exchange notes that there are certain differences from the PHLX rule because the Exchange desires to have consistency with its existing rules related to reviewing an Exchange ruling.

Exchange from liability due to conflicts between communication devices or due to electronic interference. Additionally, the Exchange will establish a communication device policy and violations of such policy may result in disciplinary action by the Exchange.⁹¹ Proposed IM-7660-2 clarifies that proposed Rule 7660 and any relevant Exchange policy are intended to apply to all communication and other electronic devices on the Floor of the Exchange, including, but not limited to, wireless, wired, tethered, voice, and data. The Exchange notes that the proposed rules applicable to communication and equipment on the Trading Floor are based on the rules of another exchange.⁹² Lastly, Proposed IM-7660-3 provides the Exchange with the ability to limit or revoke the use of any communication device on the Trading Floor whenever the Exchange determines that use of such communication device: (1) Interferes with the normal operation of the Exchange's own systems or facilities or with the Exchange's regulatory duties, (2) is inconsistent with the public interest, the protection of investors or just and equitable principles of trade, or (3) interferes with the obligations of a Floor Participant to fulfill its duties under, or is used to facilitate any violation of, the Act or rules thereunder, or Exchange rules. The Exchange notes that proposed IM-7660-3 is based on the rules of another exchange.⁹³

Floor Market Makers

The Exchange is proposing Rule 8500 Floor Market Maker, which details the rules surrounding Floor Market Makers, including registration as a Market Maker and suspension and termination of a

Floor Market Maker.⁹⁴ Specifically, with regard to suspension or termination, the registration of any Options Participant as a Floor Market Maker may be suspended or terminated by the Exchange upon a determination that such Options Participant has failed to properly perform as a Floor Market Maker.

Proposed Rule 8500 codifies that a Floor Market Maker shall only quote in classes on the Trading Floor for which the Market Maker is already quoting electronically. Therefore, a Floor Market Maker must already be registered as a Market Maker on BOX prior to becoming a Floor Market Maker. The Exchange proposes that a Floor Market Maker shall not effect on the Exchange purchases or sales of any option in which such Floor Market Maker is registered, for any account in which he or his Options Participant is directly or indirectly interested, unless such dealings are reasonably necessary to permit such Floor Market Maker to maintain a fair and orderly market.⁹⁵

Also, the Exchange proposes certain expectations of Floor Market Makers. Specifically, proposed Rule 8500(d) details that it is ordinarily expected that a Floor Market Maker will engage, to a reasonable degree under the existing circumstances, in dealings for his own account in options when lack of price continuity or lack of depth in the options market or temporary disparity between supply and demand in the options market exists or is reasonably to be anticipated. The Exchange is proposing that transactions effected on the Exchange by a Floor Market Maker for his own account, and in the options in which he is registered, are to constitute a course of dealings reasonably calculated to contribute to the maintenance of price continuity with reasonable depth, and to the minimizing of the effects of temporary disparity between supply and demand, immediate or reasonably to be anticipated. Transactions in such options not part of such a course of dealings are not to be effected by a Floor Market Maker for his own account.⁹⁶

The Exchange is proposing Rule 8510 which will govern the obligations and restrictions applicable to Floor Market Makers.⁹⁷ Generally, transactions of a

Floor Market Maker should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and those Participants should not enter into transactions or make bids or offers that are inconsistent with such a course of dealings.⁹⁸ Additionally, the Exchange is proposing to define a Floor Market Maker as an Options Participant on the Exchange located on the Trading Floor who has received permission from the Exchange to trade in options for his own account.⁹⁹

More specifically, the Exchange is proposing two Floor Market Maker Obligations: (1) Continuous Electronic Quoting Obligation; and (2) Continuous Open Outcry Quoting Obligation.¹⁰⁰ With regard to Continuous Electronic Quoting, Floor Market Makers are obligated to quote electronically in all classes that the Floor Market Maker quotes on the Trading Floor.¹⁰¹ The second Floor Market Maker Obligation, Continuous Open Outcry Quoting Obligation, requires Floor Market Makers to provide a two-sided market on the Trading Floor complying with the quote spread parameter requirements contained in proposed Rule 8510(d)(1).¹⁰² As part of the Continuous Open Outcry Quoting Obligation, such Floor Market Makers shall provide such quotations with a size of not less than 10 contracts.

The Exchange also proposes affirmative obligations for Floor Market

8510. The majority of the sections that the Exchange is omitting are not relevant to BOX. Specifically, they involve rules related to Participant categories that the Exchange does not and will not have on BOX. These include Streaming Quote Trader, which is a Registered Option Trader who has received permission from PHLX to submit electronic quotes only while they are present on the floor, and specialists. Additionally, the Exchange is not copying PHLX Rule 1014.06, which covers information barriers, because the Exchange already has rules covering misuse of material information. See Securities Exchange Act Release No. 75916 (September 14, 2015), 80 FR 56503 (September 18, 2015) (SR-BOX-2015-31). The Exchange is not copying PHLX Rules 1014.13 and 1014.14 because the PHLX Rules deal with types of activities and members that will not be present on BOX's Trading Floor. As previously mentioned, PHLX Rule 1014.13 requires an in person minimum that the Exchange does not believe is necessary on the Trading Floor. Additionally, PHLX Rule 1014.14 does not apply to BOX because all Floor Market Makers are required to quote electronically in all classes they quote on the Trading Floor.

⁹⁸ See proposed Rule 8510(a).

⁹⁹ See proposed Rule 8510(b).

¹⁰⁰ See proposed Rule 8510(c).

¹⁰¹ See proposed Rule 8510(c)(1). The Exchange notes that PHLX does not include the requirement that a Floor Market Maker being quoting electronically in all classes that the Floor Market Maker quotes on the Trading Floor. The Exchange believes that this proposed difference will lead to more robust quoting that will benefit all market participants.

¹⁰² See proposed Rule 8510(c)(2).

⁹¹ See proposed IM-7660-1.

⁹² See PHLX Rule 606. The Exchange notes that it is not copying PHLX Rule 606(b)(2)(i), which prohibits any member from establishing communication devices on the floor. The Exchange believes that this provision is not necessary and would be contrary to the Exchange's proposed Trading Floor design. Specifically, the Exchange will not be providing communication devices for Floor Participants; Floor Participants will be responsible for providing their own communication devices. Therefore, the inclusion of this provision would directly conflict with the Exchange's plan. Additionally, proposed Rule 7660(g) contains a provision not included in PHLX's rule that requires wireless telephone and other communication devices on the Options Floor to comply with applicable floor policies. The Exchange believes this provision is important as to make clear the restrictions and requirements applicable to communication devices on the Trading Floor.

⁹³ See CBOE Rule 6.23(b). The Exchange notes that although other provisions of proposed Rule 7660 are based on PHLX, PHLX does not allow Floor Brokers to receive orders while in the trading crowd; therefore, the Exchange is proposing to follow CBOE, which allows Floor Brokers to receive orders in the trading crowd.

⁹⁴ See proposed Rules 8500(a) and (b). Proposed Rules 8500(a) and (b) are based on PHLX Rule 1020. There are certain differences with PHLX's rule due to the fact that PHLX has additional categories of Participants that the Exchange does not.

⁹⁵ See proposed Rule 8500(c).

⁹⁶ See proposed Rule 8500(d).

⁹⁷ Proposed Rule 8510 is based on PHLX Rule 1014. PHLX Rule 1014 includes numerous sections that the Exchange is not including in proposed Rule

Makers in classes of option contracts to which they are assigned. Specifically, whenever a Floor Market Maker is called upon by an Options Exchange Official or a Floor Broker to make a market, the Floor Market Maker is expected to engage, to a reasonable degree under the existing circumstances, in dealing for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class.¹⁰³

Additionally, the Exchange proposes the following obligations on Floor Market Makers while performing their market making activities on the Trading Floor: (1) Quote Spread Parameters (Bid/Ask Differentials)¹⁰⁴ and (2) Maximum Option Price Change.¹⁰⁵ Specifically, Floor Market Makers shall provide a bid/ask differential on the Trading Floor for options on equities and index options by bidding and/or offering so as to create differences of no more than \$0.25 between the bid and the offer for each option contract for which the prevailing bid is less than \$2; no more than \$0.40 where the prevailing bid is \$2 or more but less than \$5; no more than \$0.50 where the prevailing bid is \$5 or more but less than \$10; no more than \$0.80 where the prevailing bid is \$10 or more but less than \$20; and no more than \$1 where the prevailing bid is \$20 or more, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded up to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options.¹⁰⁶

¹⁰³ See proposed Rule 8510(d).

¹⁰⁴ See proposed Rule 8510(d)(1).

¹⁰⁵ On the Trading Floor, a Floor Market Maker shall not be bidding more than \$1 lower and/or offering no more than \$1 higher than the last preceding transaction price for the particular option contract. However, this standard shall not ordinarily apply if the price per share of the underlying stock or Exchange-Traded Fund Share has changed by more than \$1 since the last preceding transaction for the particular option contract. See proposed Rule 8510(d)(2).

¹⁰⁶ The Exchange notes that the ability to provide different quoting requirements is not novel and the Exchange already has this ability when it comes to electronic quoting requirements. See Rule 8040(a)(7). Additionally, another Exchange allows

Quotations provided in open outcry may not be made with \$5 bid/ask differentials provided in Rule 8040(a)(7) and instead must comply with the legal bid/ask differential requirements described in this subparagraph. These proposed obligations for Floor Market Maker are based on the rules of another exchange.¹⁰⁷

The Exchange is also proposing restrictions for Floor Market Makers in classes of option contracts other than those to which they are appointed. Specifically, with respect to classes in which Floor Market Makers are not appointed, Floor Market Makers should not (1) individually or as a group, intentionally or unintentionally, dominate the market in option contracts of a particular class; or (2) effect purchases or sales on the Trading Floor of the Exchange except in a reasonable and orderly manner; (3) be conspicuous in the general market or in the market in a particular option.¹⁰⁸ Further, the Exchange proposes additional restrictions on Floor Market Makers.¹⁰⁹ Specifically, except as otherwise provided, no Floor Market Maker shall (1) initiate a transaction while on the Trading Floor for any account in which he has an interest and execute as Floor Broker an off-floor order in options on the same underlying interest during the same trading session, or (2) retain priority over an off-floor order while establishing or increasing a position for an account in which he has an interest while on the Trading Floor of the Exchange.¹¹⁰

Proposed Rule 8510(h) discusses option priority and parity on the Trading Floor. Specifically, it references proposed Rule 7610, which directs Floor Participants in the establishment of priority of orders on the Trading Floor. An account type is either a controlled account or a Public Customer

for the same on their floor. See PHLX Rule 1014(c)(i)(A)(1)(a).

¹⁰⁷ See PHLX Rule 1014(c)(i)(A). The Exchange is not including all of PHLX rules related to Floor Market Maker quoting obligations. Specifically, the Exchange is not including PHLX rules applicable to foreign currency options because BOX does not list for trading foreign currency options.

¹⁰⁸ See proposed Rule 8510(e).

¹⁰⁹ See proposed Rule 8510(f).

¹¹⁰ This provision shall not apply to (1) any transaction by a registered Floor Market Maker in an option in which he is so registered; or (2) any transaction, other than a transaction for an account in which a Floor Market Maker has an interest, made with the prior approval of an Options Exchange Official to permit a member to contribute to the maintenance of a fair and orderly market in an option, or any purchase or sale to reverse any such transaction; or (3) any transaction to offset a transaction made in error. See proposed Rule 8510(g).

account.¹¹¹ Option orders of controlled accounts are required to yield priority to Public Customer Orders when competing at the same price, as described below. Orders of controlled accounts are not required to yield priority to other controlled account orders. Additionally, the Exchange is clarifying that orders of controlled accounts, other than a Floor Market Maker market making in person, must be (1) verbally communicated as for a controlled account when placed on the Trading Floor and when represented to the trading crowd and (2) recorded as for a controlled account by making the appropriate notation on the Floor Broker's system. Further, the Exchange is proposing to clarify that in situations where the allocation of contracts result in fractional amounts of contracts to be allocated to Floor Participants, the number of contracts to be allocated shall be rounded in a fair and equitable manner.

The Exchange is also clarifying that Floor Participants must follow just and equitable principles of trade when dealing on the Trading Floor.¹¹² Specifically, it shall be considered conduct inconsistent with just and equitable principles of trade for a Floor Participant (1) to allocate orders other than in accordance with the Exchange's priority rules applicable to floor trades; (2) to enter into any agreement with another Floor Participant concerning allocation of trades; or (3) to harass, intimidate or coerce any Floor Participant, or to make or refrain from making any complaint or appeal.

The Exchange is proposing substantial Interpretive Material to supplement the Floor Market Maker Rules.¹¹³ Specifically, the Exchange is proposing IM-8510-1, which provides that the obligations of a Floor Market Maker with respect to those classes of options to which he is assigned shall take precedence over his other activities. The Exchange is proposing IM-8510-2, which details non-electronic orders and states that Floor Market Makers participating in a trading crowd may, in response to a verbal request for a market by a Floor Broker, state a bid or offer

¹¹¹ A controlled account includes any account controlled by or under common control with a broker-dealer. Public Customer accounts are all other accounts.

¹¹² See proposed Rule 8510(h)(4).

¹¹³ The proposed Interpretive Material to supplement the Floor Market Maker Rules is based mostly on commentary to PHLX Rule 1014. The Exchange notes that it is not copying all of the commentary to PHLX Rule 1014 as some of the commentary is not applicable because it involves specialists, which the Exchange does not have or the commentary is covered by different proposed rules.

that is different than their electronically submitted bid or offer, provided that such stated bid or offer is not inferior to such electronically submitted bid or offer, except when such stated bid or offer is made in response to a Floor Broker's solicitation of a single bid or offer as set forth in proposed Rule 7040(d)(2).¹¹⁴ A Floor Market Maker shall be deemed to be participating in the crowd if such Floor Market Maker is, at the time an order is represented in the crowd, physically located in the specific Crowd Area. A Floor Market Maker who is physically present in such Crowd Area may engage in options transactions in assigned issues as a crowd participant, provided that such Floor Market Maker fulfills the requirements set forth in proposed Rule 8510. A Floor Market Maker shall be deemed to be participating in a single Crowd Area. The Exchange is proposing to define the term "on the floor" as meaning the Trading Floor of the Exchange; the rooms, lobbies and other premises immediately adjacent thereto made available by the Exchange for use by Floor Participants generally; other rooms, lobbies and premises made available by the Exchange primarily for use by Floor Participants; and the telephone and other facilities in any such place.¹¹⁵ The Exchange is also proposing that the provisions of this Proposed Rule 8510 do not apply to transactions initiated by a Floor Market Maker for an account in which he has an interest unless such transactions are either initiated by a Floor Market Maker while on the Floor or unless such transactions, although originated off the Floor, are deemed on-Floor transactions under the provisions of these Rules.¹¹⁶

Additionally, the Exchange proposes that an off-Floor order for an account in which a Participant has an interest is to be treated as an on-Floor order if it is executed by the Participant who initiated it.¹¹⁷ Proposed IM-8510-4 also includes additional transactions that will be considered on-Floor transactions, including any transaction for an account in which a Floor Market

Maker has an interest if such transaction is initiated off the Trading Floor by such Floor Market Maker after he has been on the Trading Floor during the same day. Additionally, any transactions for a Participant for an account in which it has an interest: (1) Which results for an order entered off the Floor following a conversation relating thereto with a Floor Participant on the Floor who is a partner of or stockholder in such Participant; or (2) which results from an order entered off the Floor following the unsolicited submission from the Floor to the office of a quotation in a stock or Exchange-Traded Fund Share and the size of the market by a Participant on the Floor who is a partner of or stockholder in such Participant; or (3) which results from an order entered off the Floor which is executed by a Participant on the Floor who is a partner of or stockholder in such Participant and who had handled the order on a "not-held" basis;¹¹⁸ or (4) which results from an order entered off the Floor which is executed by a Participant on the Floor who is a partner of or stockholder in such Participant and who has changed the terms of the order.

The Exchange is proposing that an on-Floor order given by a Floor Market Maker to a commission broker, for an account in which the Floor Market Maker has an interest, is subject to all the rules restricting Floor Market Makers.¹¹⁹

The Exchange is proposing that the number of Floor Market Makers in the trading crowd who are establishing or increasing a position may temporarily be limited when, in the judgment of an Options Exchange Official, the interests of a fair and orderly market are served by such limitation.¹²⁰ Additionally, the Exchange is proposing that the

¹¹⁸ However, the following are not on-Floor orders and such restrictions shall not apply to an order: (1) To sell an option for an account in which the Participant is directly or indirectly interested if in facilitating the sale of a large block of stock or Exchange-Traded Fund Shares, the Participant acquired its position because the demand on the Floor was not sufficient to absorb the block at a particular price or prices; or (2) to purchase or sell an option for an account in which the Options Participant is directly or indirectly interested if the Options Participant was invited to participate on the opposite side of a block transaction by another Options Participant or a partner or stockholder therein because the market on the Floor could not readily absorb the block at a particular price or prices; or (3) to purchase or sell an option for an account in which the Participant is directly or indirectly interested if the transaction is on the opposite side of a block order being executed by the Participant for the account of its customer and the transaction is made to facilitate the execution of such order.

¹¹⁹ See proposed IM-8510-5. Proposed IM-8510-5 is based on PHLX Rule 1014.09.

¹²⁰ See proposed IM-8510-6. Proposed IM-8510-6 is based on PHLX Rule 1014.12.

Exchange may adopt policies affecting the location of Floor Participants on the Trading Floor in the interest of a fair and orderly market.¹²¹ Lastly, the Exchange is proposing that a Floor Market Maker cannot acquire a "long" position by pairing off with a sell order before the opening, unless all off-Floor bids at that price are filled.¹²²

The proposed rules applicable to Floor Market Makers are based predominately on the rules of PHLX. However, BOX omitted certain PHLX rules from the proposed rules due to certain differences with how the Exchange is designing the Trading Floor. The Exchange is not including any of PHLX's waiver provisions in the proposed rules.¹²³ The Exchange does not believe that waiver provisions are necessary because the Exchange is not having specialists who have entitlement guarantees that they could waive on the Trading Floor. Additionally, BOX is not including rules related to foreign currency options because the Exchange does not list for trading options on foreign currencies.

The Exchange is not including certain PHLX rules related to participation guarantees, allocation and priority. PHLX participant guarantee rules are designed to provide a guarantee entitlement to specialists on the trading floor. BOX is not proposing to have specialists on the Trading Floor and therefore there is no reason to include these PHLX rules. Additionally, BOX's proposed allocation and priority rules for orders executed on the Trading Floor are based on the rules of NYSE Arca¹²⁴ and not those of PHLX. The Exchange proposes Rule 8530 which details the resolution of an uncomparated trade.¹²⁵ Specifically, when a disagreement between Floor Participants arising from an uncomparated Exchange options transaction cannot be resolved by mutual agreement prior to 10:00 a.m. on the first business day following the trade date, the parties shall promptly, but not later than 3:30 p.m. on such day close out the transaction in the following manner. The Floor Participant representing the purchaser in the uncomparated Exchange options transaction shall promptly enter into a new Exchange options transaction on the Floor of the Exchange to purchase the option contract that was the subject of the uncomparated Exchange options

¹²¹ See proposed IM-8510-7. Proposed IM-8510-7 is based on PHLX Rule 1014.17.

¹²² See proposed IM-8510-9. Proposed IM-8510-9 is based on PHLX Rule 1014.11.

¹²³ See PHLX Rule 1014(g)(v)(D).

¹²⁴ See NYSE Arca Rules 6.47(a) and 6.75.

¹²⁵ Proposed Rule 8530 is based on PHLX Rule 1039.

¹¹⁴ Proposed IM-8510-2 is based on PHLX Rule 1014.05(c). The Exchange is not including all of PHLX Rule 1014.05(c). Specifically, the Exchange is not including provisions of the PHLX Rule related to specialist because the Exchange does not have specialists and is not proposing to have specialists. The Exchange is also not including PHLX provisions related to priority of orders represented on the floor because the Exchange is copying the floor priority provisions from NYSE Arca and they are covered by proposed Rule 7600(c).

¹¹⁵ See proposed IM-8510-3(a). Proposed IM-8510-3(a) is based on PHLX Rule 1014.07.

¹¹⁶ See proposed IM-8510-3(b). Proposed IM-8510-3(b) is based on PHLX Rule 1014.07.

¹¹⁷ See proposed IM-8510-4. Proposed IM-8510-4 is based on PHLX Rule 1014.08.

transaction. The Floor Participant representing the writer in the uncomparated Exchange options transaction shall promptly enter into a new Exchange options transaction on the Floor of the Exchange to sell (write) the option contract that was the subject of the uncomparated Exchange options transaction. Any claims for damages resulting from such transactions must be made promptly for the accounts of the Floor Participants involved and not for the accounts of their respective customers. Notwithstanding the foregoing, if either Floor Participant is acting for a firm account in an uncomparated Exchange options transaction and not for the account of a Public Customer, such Floor Participant need not enter into a new transaction, in which event money differences will be based solely on the closing transaction of the other party to the uncomparated transaction. In the event an uncomparated transaction involves an option contract of a series in which trading has been terminated or suspended before a new Exchange options transaction can be effected to establish the amount of any loss, the Floor Participant not at fault may claim damages against the other Floor Participant involved in the transaction based on the terms of such transaction. All such claims for damages shall be made promptly.

Fees

The Exchange has not yet determined the fees for transactions executed on the Trading Floor. Prior to commencing trading on the Trading Floor, the Exchange will file proposed fees with the Commission. However, the Exchange is currently proposing to amend Rule 7010 Fees and Charges. Specifically, the Exchange is proposing that the Board may, from time to time, fix and impose a charge upon Participants measured by their respective net commissions on transactions effected on the Trading Floor or the Exchange.¹²⁶

Additional Changes

The Exchange is also proposing minor edits to other sections of the Exchange's Rulebook in order to accommodate the various changes. Specifically, the Exchange is proposing several new definitions which results in the renumbering of numerous other definitions. Therefore, the Exchange is

amending various references to definitions in the Rulebook.¹²⁷

Lastly, the Exchange notes that it will submit a separate filing to the SEC which will cover minor rule violations on the Trading Floor. Specifically, the Exchange will file with the SEC to amend the Exchange's Minor Rule Violation Plan in Rule 12140.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹²⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act¹²⁹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

General

BOX believes that the proposal is consistent with the Act and furthers the foregoing objectives by increasing the opportunities for Participants to execute orders and provide an additional venue for seeking liquidity. The Exchange believes the adoption of the proposed rules allowing for an open-outcry floor is consistent with the goals of the Act to remove the impediments to and perfect the mechanism of a free and open market because it will benefit Participants by providing an additional mechanism for Participants to provide and seek liquidity for large and complex orders. The Exchange believes that the nature of open outcry transactions lends itself better to larger-sized transactions than the liquidity that is generally available electronically and the proposed rules would encourage greater participation in such large trades. Therefore, the proposed rule changes will benefit the market as a whole by providing an additional venue for market participants to seek liquidity for large-sized and complex orders. Providing an additional venue for these orders will benefit investors, the national market system, Participants, and the Exchange market by increasing competition for order flow and executions, and thereby spur product enhancements and lower prices. The Exchange believes that the proposal is designed to prevent fraudulent and manipulative acts and practices because all surveillance coverage currently

performed by the Exchange will cover trading on the Trading Floor. Additionally, the Exchange will have surveillance coverage in place to monitor issues unique to the Trading Floor.

The Exchange believes the proposed changes to Rule 100(a) to include definitions of Floor Participant and Trading Floor are consistent with the goals of the Act. Specifically, the proposed changes are designed to protect investors and the public interest by providing background and clarity in the Rulebook. Additionally, proposed Rule 100(b) will provide additional clarity in the Rulebook. Specifically, the definition for Presiding Exchange Officials provides Floor Participants with notice of who is responsible for monitoring and regulating the Trading Floor. The other sections of proposed Rule 100(b) provide general background for Floor Participants in the beginning of the Rulebook that will aid in understanding the applicable rules throughout, which will protect investors and the public by making the Exchange's Rulebook simpler to understand. Additionally, the Exchange notes that the various sections of proposed Rule 100(b) are based on the rules of another exchange with an open-outcry floor.¹³⁰

Participant Eligibility and Registration

The Exchange believes that the proposed registration requirements, including floor trading examinations, if required, for Floor Brokers, Floor Market Makers and registered representatives on the Trading Floor, are reasonable and further the objectives of the Act.¹³¹ Specifically, these examinations address industry topics that establish the foundation for the regulatory and procedural knowledge necessary for individuals required to register as Floor Brokers or Floor Market Makers and for such individuals to appropriately register under the Exchange's Rules. Requiring these examinations will help promote consistency in examination requirements and uniformity across the markets. Additionally, the registration requirements for Floor Participants are reasonable because they will help the Exchange to determine if a registrant is qualified to be a Floor Broker or Floor Market Maker and therefore will protect investors and the public interest.

Similarly, the Exchange believes that prescribing appropriate registration requirements including floor trading

¹²⁷ See proposed changes to Rules 7130, 7150, and 7245.

¹²⁸ 15 U.S.C. 78f(b).

¹²⁹ 15 U.S.C. 78f(b)(5).

¹³⁰ See PHLX Rules 1000(e), 1000(f), 1000(g), 1080.06 and CBOE Rule 6.74(a).

¹³¹ See proposed Rules 2020(h) and (i).

¹²⁶ See proposed Rule 7010(d). Proposed Rule 7010(d) is based on PHLX Rule 714.

examinations for all other Trading Floor personnel, including clerks, interns, stock execution clerks and other associated persons, are reasonable as well. Specifically, these examinations address industry topics that establish the foundation for the regulatory and procedural knowledge necessary to appropriately register under the Exchange rules. The proposed registration requirements for associated persons are reasonable because they will help the Exchange to determine if a registrant is qualified to be on the Trading Floor and therefore will protect investors and the public interest. Additionally, the proposed Rules covering eligibility and registration are based on the rules of another exchange that has an open-outcry floor.¹³²

Sanctions for Breach of Regulations on the Trading Floor

The proposed rule dealing with breaches of regulations on the Trading Floor¹³³ is consistent with, and furthers the objectives of the Act, because the proposed Rule should facilitate prompt, appropriate, and effective discipline for violations of the Exchange's Rules and the regulations thereunder designed to maintain order on the Trading Floor. In addition, the proposed rule is consistent with Section 6(b)(6) of the Act¹³⁴ which requires the rules of an exchange provide that its members be appropriately disciplined for violations of the Act as well as the rules and regulations thereunder, by imposing increased fine amounts for breaches of order and decorum to better reflect the severity of the violation and provide an appropriate form of deterrence for violations of the Exchange's Rules and the regulations thereunder. The Exchange believes that the proposed Rule provides adequate notice and process for a Floor Participant that is subject to sanctions for breach of the Exchange's Rules and regulations. The Exchange believes that the proposal to exclude Floor Participants for up to five (5) days and conduct an expedited hearing will provide a fair process for Floor Participants to present their arguments surrounding a removal, while also allowing the Exchange to operate without disruption and threat of safety to Floor Participants on the Trading Floor. Additionally, the proposed Rules covering sanctions for breaches of regulations are based on the rules of another exchange with an open-outcry floor.¹³⁵

In addition, the Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objective of Section 6(b)(4) of the Act¹³⁶ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange believes that this proposal is equitable in that the forum fee would apply to all Participants equally. The addition of the forum fee will help the Exchange offset costs associated with reviewing contested citations.

Trading on the Exchange Floor

The Exchange believes that the proposed rules governing activity on the Trading Floor, including Trading Floor hours, opening the market, admittance, joint accounts, and dealings on the Trading Floor,¹³⁷ are reasonable restrictions that are designed to further the objectives of the Act. Specifically, the proposed rules are designed to maintain order and structure on the Trading Floor and apply to all Floor Participants. Additionally, these rules are based on those of competing options exchanges that also have open-outcry floors.¹³⁸

The Exchange believes the proposal to require each Options Participant that physically conducts a business on the Trading Floor to procure and maintain liability insurance¹³⁹ should assist the Exchange in limiting its resources, which can be easily diverted to defending litigation claims and responding to non-Exchange related litigation matters on behalf of its Participants. The proposal is meant to prevent the Exchange from diverting valued resources away from its main regulatory responsibilities and being consumed in litigation designed to siphon Exchange monies and staff. The Exchange notes the proposal to require liability insurance is based on the rules of another exchange.¹⁴⁰

The Exchange is proposing various rules related to Clerks on the Trading Floor¹⁴¹ that the Exchange believes are reasonable and further the objectives of the Act. Specifically, the proposal relates to restrictions and conduct of Clerks on the Trading Floor that are designed to maintain order on the Trading Floor. Additionally, the proposal will make clear the rights and responsibilities of Clerks on the Trading

Floor. The Exchange notes the proposed rule related to Clerks on the Trading Floor is based on the rule of another exchange.¹⁴²

The Exchange believes the proposed rule relating to disputes on the Trading Floor will provide clarity and direction for the resolution of such disputes.¹⁴³ The proposed rule will contribute to the maintenance of a fair and orderly market by clearly laying out the dispute resolution process. Additionally, by first allowing the interested Floor Participants an opportunity to settle the disagreement, the Exchange is providing a reasonable opportunity for the interested parties to reach an equitable agreement. The Exchange believes that allowing an Options Exchange Official to settle disputes is reasonable and is designed to promote just and equitable principles of trade by having an independent third party settle the dispute. The Exchange believes that the dispute resolution process is further strengthened by allowing Floor Participants the ability to appeal an Options Exchange Official's ruling. In addition, the Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁴⁴ in general, and furthers the objective of Section 6(b)(4) of the Act¹⁴⁵ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members. The Exchange believes that this proposal is equitable in that the appeal fee would apply to all Participants equally. The addition of the appeal fee will help the Exchange offset costs associated with reviewing contested rulings by an Options Exchange Official.

The Exchange believes it is reasonable to exclude Floor Market Makers and Floor Brokers from Rule 4180 when they do not conduct business with the public.¹⁴⁶ Rule 4180 deals with requirements for Participants that are approved to transact business with the public; therefore the proposed rule is simply clarifying that Rule 4180 will not apply to Floor Market Makers and Floor Brokers who do not conduct business with the Public. The Exchange notes the proposed rule is based on the rule of another exchange.¹⁴⁷

The Exchange believes that the proposal to allow the Board the authority to fix and impose a charge upon Participants conducting business on the Trading Floor is consistent with the Act. Specifically, the Exchange will

¹³⁶ 15 U.S.C. 78f(b)(4).

¹³⁷ See proposed Rules 7070(d), 7500, 7510, 7520, and 7650.

¹³⁸ See PHLX Rules 1017(c), 102, 104, 443, and 772.

¹³⁹ See proposed Rule 7230(f).

¹⁴⁰ See PHLX Rule 652(c)(2).

¹⁴¹ See proposed Rule 7630.

¹⁴² See PHLX Rule 1090.

¹⁴³ See proposed Rule 7640.

¹⁴⁴ 15 U.S.C. 78f(b).

¹⁴⁵ 15 U.S.C. 78f(b)(4).

¹⁴⁶ See proposed Rule 4180(g).

¹⁴⁷ See PHLX Rule 705(f)(1)(B).

¹³² See PHLX Rule 620(a) and (b).

¹³³ See proposed Rule 2110.

¹³⁴ 15 U.S.C. 78f(b)(6).

¹³⁵ See PHLX Rule 60.

file a separate proposal with the SEC prior to establishing separate fees for Trading Floor based transactions. The Exchange notes that the proposal is based on the rules of another exchange.¹⁴⁸

The proposal outlining bids and offers made on the Trading Floor and the solicitation of quotations on the Trading Floor¹⁴⁹ provides clarifying information to Floor Participants on how bidding and offering on the Trading Floor will work; therefore, the proposal is designed to protect investors and the public interest by making the proposed operation of the Trading Floor clear in the Exchange's rules. The proposal is based on the rules of another exchange.¹⁵⁰

Floor Brokers

The Exchange believes that the proposed rules applicable to Floor Brokers,¹⁵¹ including responsibilities and restrictions, are designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Specifically, the proposed rules will provide guidance and restrictions for Floor Brokers operating on the Trading Floor. The proposed registration requirements for Floor Brokers will protect investors and the public interest by ensuring that all Floor Brokers are registered with the Exchange and that the Exchange approved each Floor Broker before they were admitted to the Trading Floor.

The proposed responsibilities for Floor Brokers¹⁵² are designed to further the goals of the Act. Specifically, the requirement that a Floor Broker use due diligence in handling an order and the requirement to ascertain that, if possible, at least one Floor Market Maker is present when the order is announced on the Trading Floor, are designed to promote just and equitable principles of trade, and, in general to protect investors and the public interest by providing the opportunity for additional interaction and price improvement from any Floor Market Makers. The Exchange believes the various restrictions on Floor Brokers are reasonable and are in line with those on another exchange with an open-outcry floor.¹⁵³

Additionally, the Exchange believes that the proposal to not require a Floor Market Maker to be present in the Crowd Area¹⁵⁴ is consistent with Section 6(b)(5) of the Act, in particular, the requirement is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Specifically, the Exchange believes this proposal will benefit market participants and promote just and equitable principles of trade by allowing Floor Brokers to execute orders even if the Floor Market Maker in a class is absent, thereby increasing execution opportunities for Floor Brokers. Additionally, the Exchange believes the proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system by giving Floor Brokers the ability to execute orders on the Trading Floor at all times, thereby benefiting all market participants by providing an additional venue for having their orders executed. Floor Brokers have no control over the schedule of Floor Market Makers, and the Exchange believes a Floor Brokers trading strategy should not be controlled by or dependent upon the presence of the Floor Market Maker. The Exchange notes that even if a Floor Market Maker is not present, any orders executed by Floor Brokers will still have to respect priority interest on the BOX Book, and that all classes listed on BOX must have at least one Market Maker quoting electronically; therefore there will still be electronic quotes in the particular class even if no Floor Market Maker is present. Additionally, the Exchange notes that all orders executed on the Trading Floor must, at the very least, trade at a price equal to or better than the NBBO regardless of whether a Floor Market Maker is present in the Crowd Area when the order is executed. The Exchange believes that the robust electronic quoting of options that will be traded on the Trading Floor eliminates any concerns of not having a Floor Market Maker present when the order is executed by the Floor Broker due to the fact that there are other Market Makers providing electronic quotations. The Exchange also believes that requiring an Options Exchange Official to certify that all orders on the Trading Floor are announced will ensure a Floor Broker is following all required rules related to open outcry

even if the Floor Market Maker is not present. Additionally, the Exchange notes that IM-7580-4 will further strengthen the Exchange's ability to ensure that Floor Brokers and Floor Market Makers comply with all applicable rules on the Trading Floor. The Exchange notes that other options exchanges do not require the presence of a Floor Market Maker at the time the Floor Broker is executing the order.¹⁵⁵

Executions and Priority

The proposed rule change is consistent with Section 11(a) of the Act and the rules thereunder. The Commission has stated various times that it believes transactions executed against interest on the BOX Book are consistent with the requirements of Section 11(a) of the Act, including Section 11(a)(1)(G) thereof and the rules thereunder.¹⁵⁶ QOO Orders executing against interest on the BOX Book, as discussed above, present no novel issues under Section 11(a) and the rules thereunder from a compliance, surveillance or enforcement perspective. However, under the proposed rules, Floor Participants will be required to comply, and are subject to review for compliance, with Section 11(a) and the rules thereunder when executing QOO Orders against bids and offers in the trading crowd in accordance with the priority rules discussed above. For example, if a non-Market Maker Floor Participant is trading for its own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion and, consistent with the otherwise applicable priority rules, seeks to execute a transaction with the trading crowd at the same price, the Floor Participant must comply with Rule 11a1-1(T) under Section 11(a)(1)(G) of the Act by first announcing that a bid or offer is for its account and then yielding priority to all orders in the trading crowd for the account of non-Participants unless it can qualify for and rely upon another exception to Section 11(a)(1) of the Act. If the Floor Participant cannot rely upon another exception to Section 11(a)(1) of the Act and is unable to determine whether an executable order from the trading crowd at the same price is for the account of a Participant, the Floor Participant must also yield priority to that order. The proposed rule changes would not limit in any way the obligation of a BOX Participant, while acting as a Floor Broker or otherwise, to

¹⁴⁸ See PHLX Rule 714.

¹⁴⁹ See proposed Rule 7040(d).

¹⁵⁰ See PHLX Rule 1033(a).

¹⁵¹ See proposed Rules 7540, 7550, 7570, 7580, and 7590.

¹⁵² See proposed Rule 7580.

¹⁵³ See PHLX Rules 155, 1063 and 1065.

¹⁵⁴ See proposed Rule 7580(a).

¹⁵⁵ See NYSE Arca, NYSE MKT and CBOE.

¹⁵⁶ See Amendment 1 to SR-BOX-2013-43.

comply with Section 11(a) or the rules thereunder.

The Exchange believes that the proposed rules applicable to executions and priority on the Trading Floor¹⁵⁷ are designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. As explained above, executions on the Trading Floor will be consistent with options Trade-Through and priority rules and the Exchange's systems are designed to help ensure that an execution on the Trading Floor cannot occur in violation of those rules. Specifically, when a QOO Order is submitted to the BOG for execution, the Exchange's system will evaluate the current market conditions to ensure that the execution price is equal to or better than the NBBO. Additionally, by having the QOO Order execute when it is received by the Trading Host, the Exchange is providing a system that will prevent executions that appear to be at prices that are worse than the NBBO due to the time they are reported.

The Exchange further believes that protecting non-Public Customer interest on the BOX Book that is ranked ahead of Public Customer interest is consistent with just and equitable principles of trade because it maintains the Exchange's existing price/time priority rules by protecting interest that has time priority over Public Customer interest that has priority. The Exchange also notes that this proposed priority interaction with the BOX Book is the same as NYSE Arca.¹⁵⁸ Additionally, the Exchange's proposed interaction with orders on the BOX Book actually provides additional opportunities for orders on the BOX Book to interact with trades on the Trading Floor as compared to other exchanges with open-outcry floors. Specifically, other exchanges with open-outcry floors only require floor trades to yield priority to Public Customer Orders on the electronic book.¹⁵⁹

The Exchange believes that the proposal to provide a Floor Broker with a guarantee for certain orders executed on the Trading Floor¹⁶⁰ is reasonable and is consistent with the Act. Specifically, the proposal will reward Floor Brokers who bring large orders to the Exchange by guaranteeing them the ability to cross a certain percentage. The

Exchange notes that another options exchange provides a guarantee on their trading floor.¹⁶¹ Additionally, the Exchange currently provides a guarantee with respect to auction transactions executed on the Exchange.¹⁶²

The Exchange believes that the proposed priority provisions for Complex Orders executed on the Trading Floor are reasonable because it aligns the Exchange's Rules for Complex Orders executed on the Trading Floor with that of other exchanges with open-outcry floors.¹⁶³ Specifically, the Exchange will allow Complex Orders executed on the Trading Floor to execute without giving priority to equivalent bids (offers) in the individual series legs, provided at least one options leg betters the corresponding Public Customer bid (offer) in the BOX Book by at least \$0.01.¹⁶⁴ BOX believes this is consistent with the Act because it is providing at least one leg with an improved price compared to Public Customer orders on the BOX Book. Additionally, the Exchange notes that these Complex Orders executed on trading floors can be large and complex and the proposed treatment of Complex Orders on the Trading Floor will increase the ability for Floor Brokers to execute these complex trades to the benefit of market participants. The Exchange believes that allowing Floor Brokers to disable the current Complex Order Filter on orders executed on the Trading Floor is reasonable because other exchanges do not have NBBO protection for complex orders.¹⁶⁵

BOX believes the adoption of split price priority rules¹⁶⁶ is consistent with the Act. In particular, the proposed rules are designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanisms of a free and open market and a national market system because the purpose of split price priority is to induce Floor Participants to bid (offer) at better prices for an order that may require execution at multiple prices (such as large orders), which will result in a better average price for the originating Participant (or its customer).

The Exchange believes that the BOG¹⁶⁷ will further the objectives and goals of the Act. Specifically, the ability

of the BOG to provide an electronic audit trail will help prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and remove impediments to and perfect the mechanisms of a free and open market and a national market system. All transactions on the Trading Floor must be processed through the BOG, which will allow the Exchange to provide a complete and accurate audit trail and minimize the occurrences of disputes and regulatory violations. The BOG is designed to minimize Trade-Through violations by preventing an execution at a price worse than the NBBO.

The Exchange believes that requiring that all transactions on the Trading Floor must be executed through the BOG will increase the speed and efficiency in which Floor Brokers handle orders, thereby making the Exchange's market more efficient, to the benefit of the investing public and consistent with promoting just and equitable principles of trade.

The Exchange believes that the proposal to adopt a new order type¹⁶⁸ for all executions on the Trading Floor is consistent with the Act. Specifically, as mentioned above, the new order type will help Floor Brokers executing orders on the Trading Floor. The various elements of the QOO Order are designed to aid Floor Brokers in their duties on the Trading Floor. For example, by having the QOO Order execute when submitted to the BOG, the Exchange is providing an accurate timestamp of when the order was actually executed by the Floor Broker and not just when it is submitted. Additionally, the QOO Order and the BOG are designed to ensure that all orders executed on the Trading Floor by Floor Brokers are systematized before they are represented to the trading crowd.¹⁶⁹ The Exchange believes that the features of the QOO Order are designed to promote just and equitable principles of trade, to remove impediments to and protect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that the book sweep size in proposed Rule 7600(h) is consistent with Section 6(b)(5) of the

¹⁶⁸ See proposed Rule 7600.

¹⁶⁹ In order to execute a QOO Order on the Trading Floor, it must be sent from a Floor Broker's system to the BOG. This requires that the Floor Broker adequately systemized the QOO Order. The Exchange also notes that Floor Brokers will be subject to regulatory oversight by the Exchange to review whether Floor Brokers are properly systematizing orders.

¹⁶¹ See PHLX Rule 1064.02.

¹⁶² See Rule 7150 Price Improvement Period.

¹⁶³ See NYSE Arca Rule 6.75(g).

¹⁶⁴ See proposed Rule 7610(e).

¹⁶⁵ See ISE Rule 722(b)(3).

¹⁶⁶ See proposed Rule 7610(f).

¹⁶⁷ See proposed Rule 100(b)(2).

¹⁵⁷ See proposed Rules 7600, 7610, and 7620.

¹⁵⁸ See NYSE Arca Rule 6.47 and 6.75.

¹⁵⁹ See PHLX Rule 1014.05(c), CBOE Rule 6.45(a) and NYSE MKT Rule 963NY(a).

¹⁶⁰ See proposed Rule 7600(f).

Act.¹⁷⁰ In particular, the book sweep size promotes just and equitable principles of trade, removes impediments to and perfects the mechanism of a free and open market and a national market system and, in general protects investors and the public interest by increasing the interaction of the Trading Floor with the BOX Book, which will be beneficial to all market participants. Specifically, the Exchange believes that the book sweep functionality will enhance execution efficiency and regulatory oversight on the Trading Floor by making certain that a Floor Broker's order will first trade with all available Public Customer interest on the BOX Book. The Exchange believes that without the book sweep size, the Exchange Act's goal of creating an efficient market system will not be supported, as a Floor Broker may attempt to execute an order without first exhausting priority interest. Instead, the proposed book sweep size removes impediments to and perfects the mechanism of a free and open market and a national market system by providing an alternative that will increase the opportunity for orders on the Trading Floor to interact with interest on the BOX Book, which in turn has the potential to increase liquidity for all orders on the BOX Book. The Exchange notes that this approach is not entirely novel; as mentioned above, PHLX's FBMS contains a functionality that will help a Floor Broker clear PHLX's electronic book so a floor based order can execute.¹⁷¹ Specifically, if a Floor Broker on PHLX enters a two-sided order through the FBMS, and there is interest on the PHLX electronic book at a price that would prevent the Floor Broker's order from executing, the FBMS will provide the Floor Broker with the quantity of contracts on the electronic book that have priority and need to be satisfied before the Floor Broker's order can execute at the agreed upon price.¹⁷² If the Floor Broker wishes to still execute his order, he can cause a portion of the floor based order to trade against this priority interest on the electronic book, thereby clearing the interest and permitting the remainder of the Floor Broker's order to trade at the desired price. The PHLX FBMS functionality is optional, and a Floor Broker can decide not to trade against the electronic book and therefore not execute his two-sided order at the particular price. The Exchange believes

that the Trading Floor book sweep size improves upon PHLX's FBMS functionality by either immediately executing or rejecting the order depending on the book sweep size provided and the level of priority interest on the BOX Book. The Exchange believes the immediate execute or reject feature will allow for more execution certainty and incentivize Floor Brokers on BOX to provide an adequate book sweep size if they want the order to be eligible for execution. The Exchange believes that the proposed book sweep size will protect investors and the public interest generally by establishing more execution oversight. Specifically, the Exchange believes that the book sweep size will allow BOX to electronically link in a single audit trail the Floor Broker execution and any execution with interest on the BOX Book.

Communications and Equipment

The Exchange believes the proposed rule involving communications and equipment on the Trading Floor¹⁷³ includes reasonable restrictions that are consistent with the requirements of the Act. Specifically, the proposed rule will provide the Exchange with the ability to monitor equipment on the Trading Floor and therefore provide adequate oversight of the Trading Floor. Additionally, the proposal will allow the Exchange to limit use of a communication device when such device interferes with normal operation of the Exchange's own systems or facilities or with the Exchange's regulatory duties, is inconsistent with the public interest, the protection of investors or just and equitable principles of trade, or interferes with the obligations of a Participant to fulfill its duties under, or is used to facilitate any violation of the Act or rules thereunder, or Exchange rules. Additionally, the Exchange notes that the proposal is consistent with rules of other exchanges.¹⁷⁴

Market Makers

The Exchange believes that the proposed Rules applicable to Floor Market Makers¹⁷⁵ are reasonable and will foster cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange also believes the proposed changes enhance the Exchange's ability

to fairly and efficiently regulate its Floor Market Makers by utilizing a consistent rule set of obligations and restrictions. The Exchange believes the proposed changes reflect similar Market Maker obligations and restrictions already in place on BOX's electronic exchange.¹⁷⁶ The proposed changes simply align the existent obligations and restrictions of Market Makers with the use of a trading floor with certain exceptions. Specifically, instead of providing \$5 bid/ask differentials as provided in Rule 8040(a)(7), the Exchange is proposing stricter bid/ask differentials. The Exchange believes that the proposed bid/ask differentials for Floor Market Makers are reasonable and will protect investors and the public interest by providing the opportunity for better execution prices on the Trading Floor when a Floor Market Maker is involved. Additionally, the Exchange believes that the proposed changes fall in line with similar trading floor rules at other exchanges.¹⁷⁷

The Exchange believes that the proposed electronic quoting requirements for Floor Market Makers in proposed Rule 8510(c)(1) are consistent with Section 6(b)(5) of the Act, in particular, the electronic quoting requirements are designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Specifically, the Exchange believes that the electronic quoting requirements for Floor Market Makers will benefit investors, the national market system, Participants, and the Exchange by ensuring the liquidity directed toward BOX's electronic marketplace does not decrease with the launch of BOX's Trading Floor. Instead, Options Participants wishing to register as Floor Market Makers will also be required to register as a Market Maker on BOX's electronic book, with the same electronic quoting obligations as Market Makers on BOX who only quote electronically. Further, the Exchange believes the electronic quoting requirements will protect investors and the public interests by ensuring that robust quoting on BOX electronic book continues, which may lead to increased liquidity, tighter spreads and better executions with lower execution costs, which will benefit all market participants. The Exchange also believes that the proposed electronic quoting requirements are reasonable as they are

¹⁷⁰ 15 U.S.C. 78(f)(b)(5).

¹⁷¹ See PHLX Rule 1063(e)(iv).

¹⁷² See Securities Exchange Act Release No. 68960 (February 20, 2013), 78 FR 13132 (February 26, 2013) (SR-Phlx-2013-09) at 13134.

¹⁷³ See proposed Rule 7660.

¹⁷⁴ See PHLX Rule 606 and CBOE Rule 6.23.

¹⁷⁵ See proposed Rules 8500 and 8510.

¹⁷⁶ See BOX Rules 8000, 8030, 8040, and 8050.

¹⁷⁷ See PHLX Rules 1020 and 1014.

already in place on BOX's electronic book, as well as non-discriminatory because they will uniformly apply to all BOX Market Makers, both floor and electronic.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that other exchanges currently offer open-outcry floors. The Exchange believes that the proposed rules will allow the Exchange to compete with these other exchanges. Additionally, while the proposed rule changes would permit BOX to operate a Trading Floor, the Exchange is not requiring that Participants register and have a presence on the Trading Floor. Therefore, the proposed rule changes do not impose a burden on intra-market competition.

Overall, the proposal is pro-competitive for several reasons. In particular, by helping Floor Brokers at the Exchange compete for executions against floor brokers at other exchanges, it also helps them to be more efficient and provide a better audit trail of their executions on the Trading Floor. This, in turn, helps the Exchange compete against other exchanges in a deeply competitive landscape. The Exchange believes its proposed unique features for open-outcry trading will provide value to Floor Participants, which in turn, will help the Exchange compete.¹⁷⁸

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

The Exchange has neither solicited nor received comments on the proposed rule change.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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-2016-48 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-2016-48. 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-2016-48 and should be submitted on or before December 27, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁹

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2016-29042 Filed 12-2-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79428; File No. SR-NASDAQ-2016-161]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To Adopt a New Extended Life Priority Order Attribute Under Rule 4703, and To Make Related Changes to Rules 4702, 4752, 4753, 4754, and 4757

November 30, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 17, 2016, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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 proposes to adopt a new Extended Life Priority Order Attribute under Rule 4703, and to make related changes to Rules 4702, 4752, 4753, 4754, and 4757.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaq.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

¹⁷⁸ Unique features include proposed Rules 7600(h) and 8510(c)(1).

¹⁷⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.