

order flow to competing exchanges based on many factors, including technology, functionality, reliability, fees and customer service.

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

No written comments were either solicited or received.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) By order approve or disapprove such 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](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2012-030 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2012-030. 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 publicly available. All submissions should refer to File Number SR-BX-2012-030 and should be submitted on or before June 8, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>63</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-66979; File No. SR-BOX-2012-002]

**Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt the Fee Schedule For Trading on BOX**

May 14, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 10, 2012, BOX Options Exchange LLC (the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit

comments on the proposed rule change from interested persons.

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

BOX Options Exchange LLC (the "Exchange") proposes to amend its Fee Schedule in preparation for the expected launch of trading of the BOX Market facility on May 14, 2012. The text of the proposed rule change is available from the principal office of the Exchange, on the Exchange's Internet Web site at <http://boxexchange.com>, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to amend its Fee Schedule in preparation for the expected launch of trading of its BOX Market LLC options trading facility ("BOX") on May 14, 2012. The Exchange proposes to establish fees related to trading on BOX.

*Exchange Fees*

The Exchange proposes Exchange Fees based on transaction type and account type. More specifically, the Exchange proposes fees for Auction Transactions (transactions executed through the BOX Price Improvement Period, Solicitation, and Facilitation auction mechanisms), and non-Auction Transactions (transactions executed on the BOX Book). The account types on BOX are Public Customer, Professional, Broker-Dealer, and Market Maker (see Exchange Rule 100 Series for definitions of each). All of the proposed fees are identical to fees currently in place on the Boston Options Exchange Group,

<sup>63</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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

LLC, an options trading facility of NASDAQ OMX BX, Inc.<sup>5</sup>

For Auction Transactions, the Exchange proposes a \$0.15 fee for customer Improvement Orders in the PIP and Responses in the Solicitation and Facilitation mechanisms.<sup>6</sup> The Exchange proposes a \$0.25 fee for Broker-Dealers and Market Makers for Improvement Orders in the PIP and Responses in the Solicitation and Facilitation mechanisms. Exchange Fees for Initiating Participants in Auction Transactions through Primary Improvement Orders, Facilitation Orders, or Solicitation Orders will be based upon a Participants' monthly average daily volume ("ADV") in Auction Transactions as calculated at the end of each month as set forth below.

Initiating participant monthly ADV in auction transactions	Per contract fee (all account types)
150,001 contracts and greater .....	\$0.10
100,001 contracts to 150,000 contracts.	\$0.12
50,001 contracts to 100,000 contracts.	\$0.15
20,001 contracts to 50,000 contracts.	\$0.17
1 contract to 20,000 contracts .....	\$0.25

For non-Auction Transactions, the Exchange proposes to impose a per contract fee of \$0.07 for Public Customers, \$0.20 for Professionals, and \$0.40 for Broker-Dealers. Additionally, the Exchange proposes a tiered, per contract fee for Market Makers, based upon their monthly ADV in non-Auction Transactions on BOX as set forth below:

Market maker monthly ADV in non-auction transactions	Per contract fee
150,001 contracts and greater .....	\$0.13
100,001 contracts to 150,000 contracts.	\$0.16

<sup>5</sup> The automated electronic trading system operated by Boston Options Exchange Group, LLC as an options trading facility of NASDAQ OMX BX, Inc. will, upon the commencement of the Exchange's operations as a national securities exchange, be operated by BOX Market LLC as a facility of the Exchange. As such, the operation and functionalities of the system are the same as are in effect under the rules of the Boston Options Exchange Group, LLC facility. The Exchange is not proposing to adopt the fees currently set forth in Section 5b (CMS Order Routing Service), Section 5d (fees assessed to third-party service providers for testing or support) or Section 6a (compliance examination assessment) of the Fee Schedule of the Boston Options Exchange Group, LLC as the fees will not be applicable to BOX or the Exchange.

<sup>6</sup> References to customer in the Fee Schedule and this proposal include Public Customers and Professionals, unless otherwise noted.

Market maker monthly ADV in non-auction transactions	Per contract fee
50,001 contracts to 100,000 contracts.	\$0.18
10,001 contracts to 50,000 contracts.	\$0.20
1 contract to 10,000 contracts .....	\$0.25

The Exchange proposes a \$0.22 per contract surcharge for Broker-Dealers and Market Makers for all transactions in options on the Nasdaq-100® Index (NDX) and on the Mini-NDX® Index (MNX). BOX incurs licensing fees for transactions in these classes of options and believes it is appropriate and reasonable to pass that fee through to its Participants.

#### Liquidity Fees and Credits

The Exchange proposes liquidity fees and credits for all options classes traded on BOX (unless explicitly stated otherwise) and proposes that they be applied in addition to any applicable Exchange Fees as described above (and in Section I of the Fee Schedule). The proposed liquidity fees and credits are identical to fees and credits currently in place on the Boston Options Exchange Group, LLC, an options trading facility of NASDAQ OMX BX, Inc.

#### Liquidity Fees and Credits for Non-Auction Transactions

Orders that add liquidity to the BOX Book will be charged a transaction fee upon execution. Any order, including an order with a Fill and Kill designation, which executes against an order that is being exposed before being placed on the BOX Book, will be considered to add liquidity. Any order, including an order with a Fill and Kill designation, which removes liquidity by trading immediately upon entry to the BOX Book or following its exposure as part of NBBO filtering, will receive a credit.

The Exchange proposes that orders that add liquidity to the BOX Book will be charged a per contract fee of \$0.22 for Penny Pilot Classes, and \$0.65 for adding liquidity in non-Penny Pilot Classes. Orders that remove liquidity from the BOX Book (non-Auction Transactions) will be provided a per contract credit of \$0.22 for transactions in Penny Pilot Classes, and \$0.65 for removing liquidity in non-Penny Pilot Classes.

#### Liquidity Fees and Credits for PIP Transactions

The Exchange proposes that PIP Transactions in classes where the minimum price variation of \$0.01 (i.e., Penny Pilot classes there the trade price is less than \$3.00 and all series in QQQ,

SPY, and IWM) will be assessed a fee for adding liquidity or provided a credit for removing liquidity of \$0.30, regardless of account type. PIP Orders (i.e., the agency orders opposite the Primary Improvement Order) shall receive the "removal" credit. Improvement Orders will be charged the "add" fee.

Further, the Exchange proposes a fee for adding liquidity or a credit for removing liquidity of \$0.75, regardless of account type, for PIP transactions where the minimum price variation is greater than \$0.01 (i.e., all non-Penny Pilot Classes, and Penny Pilot Classes where the trade price is equal to or greater than \$3.00, excluding QQQ, SPY, and IWM). The Exchange proposes that this \$0.75 liquidity fee and credit applicable to these PIP transactions be operative on a pilot basis until February 28, 2013.

In connection with the pilot, the Exchange agrees to submit to the Commission on a quarterly basis during the pilot period certain monthly PIP transaction data in series traded in penny increments compared to series traded in nickel increments, subdivided by when BOX is at the NBBO and when BOX is not at the NBBO, including: (1) Volume by number of contracts traded; (2) number of contracts executed by the Initiating Participant as compared to others ("retention rate"); (3) percentage of contracts receiving price improvement when the Initiating Participant is the contra party and when others are the contra party; (4) average number of participants responding in the PIP; (5) average price improvement amount when the Initiating Participant is the contra party; (6) average price improvement amount when others are the contra party; and (7) percentage of contracts receiving price improvement greater than \$0.01, \$0.02 and \$0.03 when the Initiating Participant is the contra party and when others are the contra party. Boston Options Exchange Group, LLC will provide this pilot data to the Commission for the time period from February 1, 2012, until the date BOX begins operations as a facility of the Exchange. The Exchange will provide the data to the Commission from the date BOX begins operations as a facility of the exchange through the period until February 1, 2013, and for any period thereafter as the Commission may request.

#### Liquidity Fees and Credits for Facilitation and Solicitation Transactions

The Exchange proposes that Agency Orders submitted to the Facilitation and Solicitation mechanisms receive the "removal" credit and Responses

executed in these mechanisms be charged the “add” fee. The fee and credit for all account types for Facilitation or Solicitation transactions is proposed to be \$0.30 for all options classes.

*Transactions Exempt From Liquidity Fees and Credits*

Transactions which occur on the opening or re-opening of trading and Outbound Eligible Orders routed to an Away Exchange as defined in Exchange Rule 15000 Series are deemed to neither “add” nor “remove” liquidity, and as such will be subject only to the applicable exchange fees described in Section I of the Fee Schedule, and exempt from the Liquidity Fees and Credits.

*Routing Fees*

The Exchange proposes to adopt a \$0.50 per contract routing fee for Professional accounts.<sup>7</sup> The Exchange proposes this routing fee, in part to offset the various costs BOX incurs in providing routing services. BOX uses third-party broker-dealers to route orders to other exchanges and incurs charges for each order routed to an away market. The Exchange proposes that BOX will route non-Professional, Public Customer Orders to an away exchange without imposing any fee, if more than 40% of the Participants’ total non-Professional, Public Customer Orders sent to BOX each month execute on BOX. Executions on BOX would include orders executing on the BOX Book, or through any other BOX mechanism that may be available to execute Public Customer Orders (e.g., PIP, Solicitation or Facilitation Auction Mechanisms). If 60% or more of a Participants’ total non-Professional, Public Customer Orders executed through BOX each month are routed to and executed at an away exchange, BOX will assess a \$0.50 per contract routing fee to all of a Participants’ Public Customer orders routed to an away exchange for execution for the month. BOX will calculate the percentage of contracts executed on BOX compared to the percentage routed and executed away at the end of each month. The routing fees proposed are identical to the routing fees currently in place on the Boston Options Exchange Group, LLC, an options trading facility of NASDAQ OMX BX, Inc.

<sup>7</sup> By comparison, BOX does not route broker-dealer proprietary orders and thus does not assess them any routing fees.

*Technology Fees*

Points of Presence (“PoP”) are the sites where BOX Participants connect to the BOX market network for communication with BOX. Each PoP is operated by a third-party supplier under contract to BOX. The amount to be paid by each BOX Participant will vary based on the Participant’s particular configuration, the determining factors being the number of physical connections a BOX Participant has and the bandwidth associated with each.

“Installation” and “Hosting” costs are related to the physical installation of equipment (generally routers, though possibly other hardware) at the PoP site. BOX Participants will be required to pay the related fee only if they have physical installations at the BOX PoP and for which BOX incurs fees from its own service suppliers. “Cross Connect” fees are per physical connection and vary by size from the smallest (T-1) to the largest (CAT 6) that BOX may provide. The one time setup and ongoing monthly fees associated with Participant connection to BOX are set forth below. BOX Options Participants that waive-in as Options Participants will not be subject to the setup fees, and Participants that supply their own physical cross connections to BOX would not incur a fee. The Technology Fees proposed are identical to the technology fees currently in place on the Boston Options Exchange Group, LLC, an options trading facility of NASDAQ OMX BX, Inc.

Setup (one time charge for new BOX Participants)	
Installation .....	\$350
Cross Connect per T-1 .....	250
Cross Connect per T-3 .....	350
Cross Connect per CAT 5, 5E, 6 <sup>8</sup> .....	500
Monthly	
Hosting .....	200
Cross Connect per T-1 .....	100
Cross Connect per T-3 .....	200
Cross Connect per CAT 5, 5E, 6 .....	250

Additionally, Back Office Trade Management Software (“TMS”) is optional software to which BOX Participants may subscribe in order to manage their BOX trades prior to their transmission by BOX to OCC. The Exchange proposes a monthly, per user

<sup>8</sup> CAT 5E and CAT 6 are not included in the current Fee Schedule of the Boston Options Exchange Group, LLC facility. The additions of these Cross Connect types to the tables for Setup and Monthly fees are to update the Exchange Fee Schedule to more accurately reflect the various types of Cross Connects that are available, including these newer and larger CAT 5E and CAT 6.

fee as set forth in the table below, depending on the number of users per Participant:

Users 1 to 5 .....	\$300
Users 6 to 10 .....	250
Users 11 and up .....	200

*Regulatory Fees*

The Exchange proposes an Options Regulatory Fee (“ORF”) of \$0.003 per contract to be assessed to each BOX Options Participant for all options transactions executed or cleared by the BOX Options Participant and cleared by The Options Clearing Corporation (OCC) in the customer range, regardless of the exchange on which the transaction occurs. The ORF is collected indirectly from BOX Options Participants. The OCC collects the ORF on behalf of BOX through each BOX Options Participant’s clearing broker.

Finally, the Exchange proposes that its Fee Schedule reflect a number of fees to be collected and retained by FINRA in connection with a BOX Options Participant’s registration of persons associated with the Participant through FINRA’s WebCRD system. The specific fees are set forth below and are identical to fees in place for Participants of the Boston Options Exchange Group, LLC options trading facility.

- (1) FINRA CRD Processing Fee: \$85.00
- (2) FINRA Disclosure Processing Fee: \$95.00
- (3) FINRA Annual System Processing Fee: \$30.00
- (4) Fingerprinting Fees—vary depending on the submission:
  - (a) First card submission: \$27.50;
  - (b) Second card submission: \$13.00;
  - (c) Third card submission: \$27.50;
  - (d) Processing fingerprint results where the member had prints processed through a self-regulatory organization other than FINRA: \$13.00.

As mentioned in note 5 above, the Exchange is not proposing any fees currently set forth in Section 5b (CMS Order Routing Service), Section 5d (fees assessed to third-party service providers for testing or support) or 6a (compliance examination assessment) of the Fee Schedule of the Boston Options Exchange Group, LLC as the fees will not be applicable to BOX or the Exchange.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>9</sup> in general, and Section 6(b)(4) of the Act,<sup>10</sup> in particular, in that it provides

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

for the equitable allocation of reasonable dues, fees, and other charges among BOX Options Participants and other persons using its facilities.

#### *Exchange Fees*

The Exchange believes the fees proposed for transactions on BOX are reasonable. BOX will operate within a highly competitive market in which market participants can readily direct order flow to any of eight other competing venues if they deem fees at a particular venue to be excessive. The proposed fee structure is intended to attract order flow to BOX by offering market participants incentives to submit their orders to BOX.

The Exchange believes it is equitable and non-discriminatory to provide Initiating Participants a tiered fee structure related to its participation in BOX Auction Transactions. The proposed fee structure related to trading activity in BOX Auction Transactions is available to all BOX Options Participants and they may choose to trade on BOX to take advantage of the discounted fees for doing so, or not. The Exchange also believes the proposed fees for the BOX auction mechanisms to be reasonable. Participants will benefit from the opportunity to aggregate their trading in the BOX Facilitation and Solicitation Auction mechanisms with their PIP transactions to more easily attain a discounted fee tier. The tiered fee structure proposed for trading in the BOX auction mechanisms aims to attract order flow to BOX, providing greater potential liquidity within the overall BOX market, its auction mechanisms, to the benefit of all BOX market participants.

The Exchange believes that providing a volume discount to Options Participants that initiate auctions on customer orders is appropriate to provide an incentive to BOX Participants to submit their customer orders to BOX, particularly into the PIP for potential price improvement. This potentially increased volume also increases potential revenue to BOX, and would allow BOX and the Exchange to spread its administrative and infrastructure costs over a greater number of transactions, leading to lower costs per transaction. The decreased per transaction costs allows BOX to share its savings with its Participants in the form of lower tier rates. Furthermore, such a discount is necessary to limit the exposure that Initiating Participants will have to liquidity removal fees, because as Initiating Participants they will be adding liquidity and will be charged a fee should their principal order execute

against the customer order in any BOX Auction Transaction.

With regard to exchange fees for transactions on the BOX Book, the Exchange believes it is equitable and not unfairly discriminatory for BOX Market Makers to have the opportunity to benefit from a potentially discounted fee less than that charged to broker-dealers. The Exchange believes that the proposed tiered and potentially discounted fees for Market Makers that on a daily basis, trade an average daily volume (as calculated at the end of the month) of 10,000 contracts or more on BOX represents a fair and equitable allocation of reasonable dues, fees, and other charges as it is aimed at incentivizing these participants to provide a greater volume of liquidity. The Exchange believes that giving incentives for this activity results in increased volume on BOX. Such increased volume increases potential revenue to BOX, and would allow BOX and the Exchange to spread its administrative and infrastructure costs over a greater number of transactions, leading to lower costs per transaction. The decreased per transaction costs allows BOX to share its savings with its Participants in the form of lower tier rates.

The increased liquidity also benefits all investors by deepening the BOX liquidity pool, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Exchange believes that the volume based discounts such as the reducing tiered execution fee proposed for Market Makers are equitable because they are open to all Market Makers on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes. Finally, Market Makers have obligations that other Participants do not. In particular, they must maintain active two-sided markets in the classes in which they are appointed, and must meet certain minimum quoting requirements. As such, the Exchange believes it is appropriate that Market Makers be charged potentially lower transaction fees on BOX when they provide greater volumes of liquidity to the market.

The Exchange also believes it is equitable and not unfairly discriminatory that Public Customers be charged lower fees in non-Auction Transactions than Professionals and broker-dealers on BOX. The securities

markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for customer benefit. As such, the Exchange believes the proposed fees for Public Customer transactions are appropriate and not unfairly discriminatory. The Exchange believes comparably lower customer transaction fees are reasonable. The Exchange believes it promotes the best interests of investors to have lower transaction costs for Public Customers, and that the proposed reduction in fees will attract Public Customer order flow to BOX. The Exchange believes the proposed fees charged to broker-dealers, and market makers are reasonable because they are designed to be comparable to the fees that such accounts would be charged at competing venues.

Further, the Exchange believes the proposed \$0.20 fee per executed contract for Professional accounts in non-Auction Transactions to be equitable, reasonable, and not unfairly discriminatory. BOX does not assess ongoing systems access fees, ongoing fees for access to BOX market data, or fees related to order cancellation. Professional accounts, while Public Customers by virtue of not being broker-dealers, generally engage in trading activity more similar to broker-dealer proprietary trading accounts (more than 390 orders per day on average). This level of trading activity draws on a greater amount of BOX system resources than that of non-Professional Public Customers. Simply, the more orders submitted to BOX, the more messages sent to and received from BOX, the more orders potentially routed to away exchanges, and the more BOX system resources utilized. This level of trading activity by Professional accounts results in greater ongoing operational costs to BOX. As such, BOX aims to recover its costs by assessing Professional accounts a market competitive fee for non-Auction Transactions. Generally, competing options exchanges assess Professionals fees at rates more comparable to fees charged to broker-dealers. Sending orders to and trading on BOX are entirely voluntary. Under these circumstances, BOX transaction fees must be competitive to attract order flow, execute orders, and grow its market. As such, BOX believes its trading fees proposed for Professional accounts are fair and reasonable. While comparably higher transaction fees than those assessed to Public Customers, BOX is assessing Professional accounts transaction fees at a rate (\$0.20) lower

than that charged to broker-dealer proprietary trading firms.

Moreover, the Exchange believes the transaction fees proposed for broker-dealers in non-Auction Transactions are reasonable. As stated above, BOX operates within a highly competitive business. The proposed fees charged to broker-dealers are designed to be comparable to the fees that such accounts would be charged at competing venues. Further, and as stated above, the Exchange believes that participants that add liquidity on BOX will not be impaired by the level of fees on broker-dealer proprietary accounts proposed. The Exchange believes other parts of the proposed BOX fee structure (e.g., tiered Initiating Participant fees and Liquidity Fees and Credits) will provide incentives for broker-dealers to send order flow to BOX.

The Exchange believes it is equitable and not unfairly discriminatory to charge broker-dealer proprietary accounts comparably higher fees than BOX Market Makers. Market Makers have obligations that other Participants do not. In particular, they must maintain active two-sided markets in the classes in which they are appointed, and must meet certain minimum quoting requirements. As such, the Exchange believes it is appropriate that Market Makers be charged lower transaction fees on BOX. The Exchange also believes it is equitable and not unfairly discriminatory that customers, including Professionals, be charged lower transaction fees than broker-dealers on BOX. The securities markets generally, and BOX in particular, have historically aimed to improve markets for investors and develop various features within the market structure for customer benefit. As such, the Exchange believes the proposed fees for broker-dealers, as compared to customers, is appropriate and not unfairly discriminatory.

Regarding the surcharge for transactions in NDX and MNX, due to a licensing agreement with The NASDAQ OMX Group, Inc. ("NASDAQ OMX") to use various indices and trademarks in connection with the listing and trading of index options on NDX and MNX, BOX will pay a per contract license fee of \$0.22 to NASDAQ OMX for NDX and MNX options contracts traded on BOX. The Exchange proposes this surcharge fee for transactions in NDX and MNX options to offset the costs incurred by BOX for each transaction in these options. The Exchange believes that passing this cost through to BOX Options Participants that trade these instruments is the most

equitable means of recovering the costs of the license.

The Exchange's proposal to assess broker-dealers and Market Makers a \$.22 per contract surcharge for transactions in MNX and NDX, as compared to no surcharge being assessed to customers, is equitable and not unfairly discriminatory because the Exchange believes that a lower customer fee benefits all market participants by incentivizing market participants to transact a greater number of customer orders, which results in increased liquidity.

The Exchange believes that the proposed Exchange Fees will keep BOX competitive with other exchanges as well as apply in such a manner so as to be equitable among BOX Participants. The Exchange believes the proposed fees are fair and reasonable and must be competitive with fees in place on other exchanges. Further, the Exchange believes that this competitive marketplace impacts the fees proposed for BOX.

#### *Liquidity Fees and Credits*

The Exchange believes that it is reasonable and equitable to provide a credit to any Participant that removes liquidity from BOX. The Exchange further believes these credits will attract order flow to BOX, resulting in greater liquidity to the benefit of all market participants. The Exchange believes that the proposed fees for adding liquidity and credits for removing liquidity are equitable and not unfairly discriminatory because such fees and credits apply uniformly to all categories of participants, across all account types. As stated above, BOX operates within a highly competitive market in which market participants can readily direct order flow to any of eight other competing venues if they deem fees at a particular venue to be excessive. The proposed fees and credits are intended to attract order flow to BOX by offering incentives to all market participants to submit their orders to BOX.

The Exchange believes it is equitable and non-discriminatory to assess the proposed fees for the BOX Solicitation and Facilitation Auction mechanisms because the proposed fee for adding liquidity and credit for removing liquidity will apply uniformly to all categories of participants, across all account types. The Exchange also believes the proposed fees and credits for the BOX auction mechanisms to be reasonable. The fee structure proposed for these auction mechanisms, in particular, the proposed credit for removing liquidity, aims to attract order flow to these BOX auction mechanisms,

providing greater potential liquidity within the overall BOX market to the benefit of all BOX market participants.

The Exchange notes that the proposed fees and credits for transactions on BOX offset one another in any particular transaction. The result is that BOX will collect a fee from Participants that add liquidity on BOX and credit another Participant an equal amount for removing liquidity. Stated otherwise, the collection of these liquidity fees will not directly result in revenue to BOX, but will simply allow BOX to provide the credit incentive to Participants to attract order flow. The Exchange believes it is appropriate to provide incentives to market participants to direct order flow to remove liquidity from BOX, similar to various and widely-used, exchange sponsored payment for order flow programs. Further, the Exchange believes that fees for adding liquidity on BOX will not deter Participants from seeking to add liquidity to the BOX market so that they may interact with those participants seeking to remove liquidity.

The Exchange believes it is reasonable to assess the proposed liquidity fees and credits at lower rates (\$0.22 and \$0.30) in series that trade in \$0.01 increments compared to higher rates (\$0.65 and \$0.75) in series that trade in increments of \$0.05 or more. The Exchange believes that options that trade at these wider spreads of \$0.05 or more merit offering greater inducement for market participants. In particular, within the PIP, minimum increments of \$.05 or \$.10 provide greater opportunity for market participants to offer price improvement. As such, BOX believes that the opportunity for additional price improvement provided by these wider spreads, again merits offering greater incentive for Participants to increase the potential price improvement for customer orders in these PIP transactions.

#### *Routing Fees*

BOX believes that the proposed routing fee structure for routing customer orders to other market venues is reasonable because the fee will allow BOX to recoup its transaction costs attendant with offering routing services that are optional for Participants. BOX uses third-party broker-dealers to route orders to other exchanges and incurs charges for each order routed to and executed at an away market, in addition to the transaction fees charged by other exchanges. In order to better recover those related costs and to potentially generate additional revenue, the Exchange proposes a routing fee structure associated with providing this

optional service. The Exchange is proposing a routing fee structure to continue to provide routing services for non-Professional, Public Customer Order at no charge if the Participants trade on BOX 40% of their non-Professional Public Customer volume traded through BOX each month.

Additionally, the Exchange believes that the proposed fee for routing Professional customer orders to various markets is reasonable, equitable, and not unfairly discriminatory in that the fee will further allow BOX to recoup its costs attendant with offering optional routing services. BOX does not route broker-dealer proprietary orders, and therefore, does not assess routing fees on such orders. BOX Participants can manage their own routing to different options exchanges or can utilize a myriad of other routing solutions that are available to market participants. Further, the characteristics of Professional accounts tend to be more similar to broker-dealers than to non-Professional Public Customers. As such, BOX believes Professionals are more likely to be able to route their orders to the exchange venues where they wish to trade. By assessing a fee for routing certain orders, BOX aims to recover its costs in providing this optional service. The Exchange believes that providing non-Professional, Public Customers a preferred rate for routing is consistent with the long history in the options markets of such customers being given preferred fees. The Exchange believes the proposed routing fee structure is equitable and not unfairly discriminatory because the incentive to trade on BOX it is available to all Participants on an equal basis.

The Exchange believes it is reasonable, equitable, and not unfairly discriminatory to assess Participants a fee for routing non-Professional, Public Customer Orders to away exchanges, if those Participants are submitting such orders to BOX so as to evade other exchanges' fees and take advantage of BOX routing services. Based on market data related to activity on the Boston Options Exchange Group, LLC, an options trading facility of NASDAQ OMX BX, Inc., BOX believes that it is reasonable to charge Participants a fee if they intentionally submit orders to BOX when limited liquidity is on BOX at the NBBO. This limited liquidity may not be enough to fill the orders submitted, and thus, BOX is required, in accordance with its obligations to customer orders under the national market system plan for Options Order Protection and Locked/Crossed Markets, to route such orders to a market that is displaying liquidity at the NBBO. The

market data indicates that the Boston Options Exchange, LLC facility generally routes significantly less than 60% of a Participant's non-Professional, Public Customer Orders to an away exchange for execution. As such, the Exchange believes that this proposed routing fee will only impact Participants submitting orders to BOX intending to evade other exchanges' fees and take advantage of BOX routing services.

The Exchange believes the proposed routing fee structure is equitable and not unfairly discriminatory because the incentive to trade on BOX is available to all Participants on an equal basis. The Exchange believes it is reasonable and equitable to provide Participants (A) an incentive to trade on BOX, and (B) the ability to route customer orders at no cost, because transactions executed on BOX increase BOX market activity and market quality. Greater liquidity and additional volume executed on BOX aids the price and volume discovery process. Participant trading on BOX also results in revenue that BOX is able to use to provide routing services at no cost to Participants. Accordingly, the Exchange believes that the proposal is not unfairly discriminatory because it promotes enhancing BOX market quality. The routing fees proposed are intended to provide an incentive to BOX Participants to submit orders for execution on BOX and not engage in abusive and predatory practices to evade fees on other exchanges.

BOX therefore believes that assessing the fee only to those Participants that have 60% or more of their total non-Professional, Public Customer Orders routed to an away exchange for execution is reasonable, and an equitable allocation of its fees for providing routing services. The Exchange believes that permitting a Participant to have up to 60% of such orders routed to an away exchange for execution without being assessed any routing fee is reasonable and appropriate.

#### *Technology Fees*

The Exchange believes that the proposed Technology Fees constitute an equitable allocation of fees, and not unfairly discriminatory, as all similarly situated Options Participants and other market participants would be charged the same amounts for the same services. Additionally, access to the BOX market will be offered on fair and non-discriminatory terms. The proposed Technology Fees are expected to offset the costs BOX and the Exchange incur in maintaining, and implementing ongoing improvements to BOX, including increasing connectivity costs,

costs based on gateway software and hardware enhancements and resources dedicated to gateway development, quality assurance, and technology support. The Exchange believes that its proposed fees are reasonable in that they are competitive with those charged by other venues.

#### *Regulatory Fees*

The Exchange believes the proposed ORF is reasonable because it is lower than many competitor exchanges. The ORF will help the Exchange offset regulatory expenses. The Exchange believes that the ORF is equitable and not unfairly discriminatory because it is objectively allocated to BOX Options Participants in that it would continue to be charged to all Participants on all of their transactions that clear as customer at OCC. The Exchange believes that the amount of resources required to regulate non-customer trading activity will be significantly less than the amount of resources the Exchange must dedicate to regulate customer trading activity. Regulating customer trading activity is more labor intensive and requires greater expenditure of human and technical resources than regulating non-customer trading activity. Surveillance and regulation of non-customer trading activity tends to be more automated and less labor-intensive. As a result, the costs associated with administering the customer component of the Exchange's overall regulatory program are anticipated to be higher than the costs associated with administering the non-customer component of its regulatory program. As such, the Exchange proposes assessing higher fees to those firms that will require more Exchange regulatory services based on the amount of customer options business they conduct.

As previously stated, the OCC collects the ORF on behalf of BOX through each BOX Options Participant's clearing broker. In addition, the ORF seeks to recover the costs of supervising and regulating Participants, including performing routine surveillances, and policy, rulemaking, interpretive, and enforcement activities. The Exchange will continue to monitor the amount of revenue collected from the ORF to ensure that it, in combination with its other regulatory fees and fines, do not exceed regulatory costs. If the Exchange determines regulatory revenues exceed regulatory costs, the Exchange will adjust the ORF by submitting a fee change filing to the Commission.

Finally, the Exchange believes it is reasonable, equitable and not unfairly discriminatory for the FINRA fees to be included on the Exchange Fee Schedule

because these fees are not being assessed or set by BOX or the Exchange, but by FINRA, and will be assessed to broker-dealers that register associated persons through FINRA's WebCRD system.

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

The Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act<sup>11</sup> and Rule 19b-4(f)(2) thereunder,<sup>12</sup> because it establishes or changes a due, fee, or other charge applicable only to a member.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2012-002 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2012-002. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2012-002 and should be submitted on or before June 8, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2012-12032 Filed 5-17-12; 8:45 am]

**BILLING CODE 8011-01-P**

### **SECURITIES AND EXCHANGE COMMISSION**

**[File No. 500-1]**

**In the Matter of QPC Lasers, Inc., Sweet Success Enterprises, Inc., Trinsic, Inc., Veridicom International, Inc., Windswept Environmental Group, Inc., and Wyndstorm Corp.; Order of Suspension of Trading**

May 16, 2012.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of QPC Lasers, Inc. because it has not filed any periodic

reports since the period ended June 30, 2008.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Sweet Success Enterprises, Inc. because it has not filed any periodic reports since the period ended September 30, 2007.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Trinsic, Inc. because it has not filed any periodic reports since the period ended September 30, 2006.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Veridicom International, Inc. because it has not filed any periodic reports since the period ended September 30, 2006.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Windswept Environmental Group, Inc. because it has not filed any periodic reports since the period ended March 31, 2008.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Wyndstorm Corp. because it has not filed any periodic reports since the period ended October 31, 2008.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in the securities of the above-listed companies.

Therefore, it is ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the securities of the above-listed companies is suspended for the period from 9:30 a.m. EDT on May 16, 2012, through 11:59 p.m. EDT on May 30, 2012.

By the Commission.

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 2012-12208 Filed 5-16-12; 4:15 pm]

**BILLING CODE 8011-01-P**

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).