

the proposed rule change will permit Clearing Members to better monitor and manage the potential risks assumed by market makers and will provide Clearing Members with greater control and flexibility over their risk tolerance and exposure.<sup>30</sup> The Exchange further contends that, “[w]hile in some cases [the proposed rule change] may result in a minimal delay for a market maker that wants to reenter the market quickly following a market-wide speed bump, the Exchange believes that Clearing Member approval . . . ensure[s] that the market maker does not prematurely enter the market without adequate safeguards . . .”<sup>31</sup>

As noted above, on February 26, 2016, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act<sup>32</sup> to determine whether to approve or disapprove the proposed rule change.<sup>33</sup> In the order instituting proceedings, the Commission noted that the Exchange does not address how the proposal would impact the continuous quoting obligations of market makers and provided no basis for its statement that the proposed rule would result in only a “minimal delay” for a market maker seeking to resume quoting following a market-wide speed bump. Accordingly, the Commission stated that the proposed rule change raises questions regarding the ability of market makers to meet their quoting obligations, and whether the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act. The Exchange did not respond to the issues raised in the Commission’s order instituting proceedings.

The Commission does not believe the Exchange has met its burden to demonstrate that the proposed rule change is consistent with the Act and the rules and regulations issued thereunder. The Exchange proposes to require Clearing Member approval before a market maker can resume trading following a market-wide speed bump so that Clearing Members can better monitor and manage their potential risks. Providing this additional risk management tool to Clearing Members, however, necessarily will delay the resumption of quoting by market makers and the resulting potential market quality benefits to all

users of the Exchange. Although the Exchange states that any delay would be minimal, it provides no evidence to support that assertion. The Exchange also has not explained why Clearing Member risks cannot effectively be addressed through other means, such as bilateral, contractual arrangements between Clearing Members and market makers that do not impede a market maker’s ability to promptly resume quoting and enhance the Exchange’s market quality.

Accordingly, the Commission does not believe that the Exchange has met its burden to demonstrate that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder. In particular, the Commission does not find that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act, which requires that the rules of an exchange, among other things, be designed 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.<sup>34</sup>

#### IV. Conclusion

For the foregoing reasons, the Commission does not find that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b)(5) of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>35</sup> that the proposed rule change (SR–ISE–2015–30) be, hereby is, disapproved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

**Robert W. Errett,**  
Deputy Secretary.

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**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–78428; File No. SR–BOX–2016–36]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule on the BOX Market LLC (“BOX”) Options Facility

July 27, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on July 25, 2016, 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 the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule to adjust the fee assessed in Section IV (Eligible Orders Routed to an Away Exchange) on the BOX Market LLC (“BOX”) options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on August 1, 2016. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://boxexchange.com>.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these

<sup>30</sup> See Notice, *supra* note 5, at 74830. Under ISE’s current rules, the Exchange may share any Member-designated risk settings in the trading system with the Clearing Member that clears transactions on behalf of the Member. See ISE Rule 706(a).

<sup>31</sup> See Notice, *supra* note 5, at 74830.

<sup>32</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>33</sup> See Securities Exchange Act Release No. 77246, 81 FR 11305 (March 3, 2016) (“Order Instituting Proceedings”).

<sup>34</sup> 15 U.S.C. 78f(b)(5).

<sup>35</sup> 15 U.S.C. 78s(b)(2).

<sup>36</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).

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 the Fee Schedule for trading on BOX to adjust the fee assessed in Section IV (Eligible Orders Routed to an Away Exchange) of the BOX Fee Schedule. Specifically, the Exchange proposes to increase the \$0.50 per contract routing fee to \$0.60.

Currently, 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. To offset the fees charged to the Exchange for orders routed to other exchanges, the Exchange charges a \$0.50 per contract fee for customer accounts. However, the Exchange charges no fee for non-Professional, Public Customer Directed Orders when: (i) Less than 45% of a Participants' monthly executions for such orders are routed to and executed at an Away Exchange; and (ii) 33% or more of a Participants' monthly executions for such orders occur through the PIP. In an effort to continue to offer routing services to its Participants at prices that approximate the cost to the Exchange, the Exchange is proposing to increase the routing fee to \$0.60 per contract from \$0.50 per contract for customer accounts.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act, in general, and Section 6(b)(4) and 6(b)(5) of the Act,<sup>5</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among BOX Participants and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

The Exchange generally attempts to approximate the cost of routing to other

options exchanges, including other applicable costs to the Exchange for routing. The Exchange believes that the proposed fee change which is based on approximate Routing Costs is a reasonable, equitable and not unfairly discriminatory approach to pricing. Specifically, the Exchange believes that its proposal to moderately increase the routing fee is fair, equitable and reasonable because the fee is generally an approximation of the cost to the Exchange for routing orders to such exchanges. Further, the Exchange believes that the proposed fee is reasonable and appropriate as it is in line with what is currently charged by the industry.<sup>6</sup> Accordingly, the Exchange believes that the proposed increases [sic] are reasonable, equitable and not unfairly discriminatory because they will help the Exchange to avoid subsidizing routing to away options exchanges and to continue providing quality routing services. The Exchange believes that its fee for orders routed to various venues is a reasonable approach to pricing, as it provides certainty with respect to execution fees at away options exchanges. As a general matter, the Exchange believes that the proposed fee will allow it to recoup and cover its costs of providing routing services to away exchanges. The Exchange notes that routing through the Exchange is voluntary. The Exchange also believes that the proposed fee for orders routed to and executed at away options exchanges is fair and equitable and not unreasonably discriminatory in that it applies equally to all Participants.

The Exchange reiterates that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels to be excessive or providers of routing services if they deem fee levels to be excessive. Finally, the Exchange notes that it constantly evaluates its routing fees, including profit and loss attributable to routing and would consider future adjustments to the proposed fee to the extent it was recouping a significant profit or loss from routing to away options exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not

<sup>6</sup> See Miami International Securities Exchange LLC ("MIAX") Fee Schedule Section (1)(C) and NASDAQ Options Market ("NOM") Fees and Rebates Section (2)3. On MIAX and NOM, the general range of fees for orders routed to away exchanges is between \$0.10 and \$0.99, with the \$0.99 fee being assessed to Non-Customers.

necessary or appropriate in furtherance of the purposes of the Act. As it relates to the proposed change to the routing fee, the proposed change will assist the Exchange in recouping costs for routing orders to other options exchanges on behalf of its Participants in a manner that is a better approximation of actual costs than is currently in place and that reflects pricing changes by various options exchanges as well as increases to other Routing Costs incurred by the Exchange. The Exchange also notes that Participants may choose to designate their orders as ineligible for routing to avoid incurring routing fees.<sup>7</sup>

*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>8</sup> and Rule 19b-4(f)(2) thereunder,<sup>9</sup> because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2016-36 on the subject line.

<sup>7</sup> See BOX Rule 15030 (describing the routing process, which requires orders to be designated as eligible for routing).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

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

*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-2016-36. 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-2016-36, and should be submitted on or before August 23, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-78426; File No. SR-NYSEArca-2016-101]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Shares of SolidX Bitcoin Trust Under NYSE Arca Equities Rule 8.201**

July 27, 2016.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 13, 2016, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "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 list and trade shares of the following under NYSE Arca Equities Rule 8.201: SolidX Bitcoin Trust ("Trust"). The proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 parts of such statements.

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

**1. Purpose**

Under NYSE Arca Equities Rule 8.201, the Exchange may propose to list

and/or trade pursuant to unlisted trading privileges ("UTP") "Commodity-Based Trust Shares".<sup>4</sup> The Exchange proposes to list and trade shares ("Shares") of the Trust pursuant to NYSE Arca Equities Rule 8.201.<sup>5</sup>

The sponsor of the Trust is SolidX Management LLC ("Sponsor"), a Delaware limited liability company. The Sponsor is a wholly-owned subsidiary of SolidX Partners Inc. The trustee for the Trust ("Trustee") serves pursuant to a trust agreement. The Bank of New York Mellon will be the administrator ("Administrator") and the custodian, with respect to cash, of the Trust ("Custodian").

The Trust is a grantor trust formed under the laws of the State of New York. The Trust has no fixed termination date.

According to the Registration Statement, each Share will represent a fractional undivided beneficial interest in the Trust's net assets. The Trust's assets will consist of bitcoin<sup>6</sup> held on the Trust's behalf by the Sponsor utilizing a secure process as described below in "Bitcoin Security and Storage for the Trust". The Trust will not normally hold cash or any other assets, but may hold a very limited amount of cash in connection with the creation and redemption of "Baskets"<sup>7</sup> and to pay Trust expenses, as described below.

According to the Registration Statement, the Trust will invest in bitcoin only. The activities of the Trust are limited to: (i) Issuing Baskets in exchange for bitcoin or the cash deposited with the Custodian as consideration; (ii) purchasing bitcoin from various exchanges and in over-the-counter ("OTC") transactions; (iii) selling bitcoin (or transferring bitcoin, at the Sponsor's discretion) as necessary to cover the Sponsor's management fee,

<sup>4</sup> Commodity-Based Trust Shares are securities issued by a trust that represent investors' discrete identifiable and undivided beneficial ownership interest in the commodities deposited into the Trust.

<sup>5</sup> On July 11, 2016, the Trust filed a registration statement ("Registration Statement") on Form S-1 under the Securities Act of 1933 (15 U.S.C. 77a). The descriptions of the Trust, the Shares and bitcoin contained herein are based, in part, on the Registration Statement.

<sup>6</sup> A "bitcoin" is an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency ("bitcoin"). The asset, bitcoin, is generally written with a lower case "b". The asset, bitcoin, is differentiated from the computers and software (or the protocol) involved in the transfer of bitcoin among users, which constitute the "Bitcoin Network". The asset, bitcoin, is the intrinsically linked unit of account that exists within the Bitcoin Network. See "bitcoin and the Bitcoin Industry" below.

<sup>7</sup> The Trust will issue and redeem "Baskets", each equal to a block of 10,000 Shares, only to "Authorized Participants". See "Creation and Redemption of Shares" below.

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>10</sup> 17 CFR 200.30-3(a)(12).