

securities that the Exchange proposes to exclude (*i.e.*, Managed Fund Shares and Managed Trust Shares) have similar characteristics to the categories of securities that are already excluded on other national securities exchanges. Therefore, the Exchange does not believe that it will impose any burden on competition to exclude them.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing proposed rule change does not:

(i) Significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>15</sup>

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 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-NYSEArca-2018-31 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-NYSEArca-2018-31. 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 website (<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 website 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2018-31 and should be submitted on or before June 21, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-83318; File No. SR-BOX-2018-18]

**Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing of Proposed Rule Change To Adopt IM-7130-1 to Rule 7130**

May 24, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 16, 2018, BOX Options Exchange LLC ("BOX" or "Exchange") 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 IM-7130-1 to Rule 7130. 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 website at <http://boxoptions.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 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 proposes to adopt IM-7130-1 to Rule 7130 to provide that the Exchange may make available certain

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>16</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.

BOX Book<sup>3</sup> information to Participants upon request. Specifically, Participants may inquire with the Exchange as to the amount of any priority interest on the BOX Book.<sup>4</sup> This information is for advisory purposes only and will be provided on a best efforts basis verbally.<sup>5</sup> For the purposes of the proposed rule, “priority interest” is the number of Public Customer contracts and Non-Public Customer contracts that are ranked ahead of such Public Customer contracts at a given price for a specific option class. Floor Brokers may inquire with an Options Exchange

<sup>3</sup> The term “BOX Book” means the electronic book of orders on each single option series maintained by the BOX Trading Host. *See* Rule 100(a)(10).

<sup>4</sup> The proposed change is similar to the floor procedures of NYSE Arca (“Arca”). *See* Arca Regulatory Bulletin RB-16-04 (February 19, 2016). Floor Brokers on NYSE Arca may inquire at with the Trading Official at the post to the amount of any priority interest on NYSE Arca’s electronic book. The Exchange notes that there are a few minor differences between the floor procedure of NYSE Arca and the proposed rule. Specifically, the Exchange is proposing to make the proposed information available to all Participants, not only Floor Brokers. The Exchange believes this difference is reasonable because the Exchange is providing the information to all Participants and therefore the Exchange is not discriminating against any type of Participant. Further, the proposed rule provides additional clarity and specificity as to how the information is provided and what is included. The Exchange believes this difference is reasonable because the Exchange is providing greater clarity to Participants which removes the potential for any confusion. Additionally, the MIAX Order Feed offers similar information to subscribers of the data feed. Specifically, the MIAX Order Feed provides real-time data including the limit price, origin, and side of each order for the entire order book to its users. *See* Securities Exchange Act Release No. 74759 (April 17, 2018), 82 FR 22749 (April 23, 2015)(SR-MIAX-2015-28). The Exchange notes that there are a few differences between the proposal and the MIAX Order Feed. First, the MIAX Order Feed provides the limit price, origin, and size of every order on the entire order book while the Exchange is proposing to only provide the amount of priority interest. The Exchange believes this is a reasonable difference because the Exchange is providing a limited amount of relevant information to Participants executing orders. Specifically, as explained in greater detail below, the proposed information is useful for Floor Brokers executing QOO Orders from the Trading Floor. Additionally, given the manual nature of providing the proposed information, it is reasonable to limit the quantity of information provided to Participants. Second, the MIAX Order Feed is a continuous data feed while the Exchange is proposing to provide the information verbally in response to one off requests. The Exchange believes that this difference is reasonable because it allows the Exchange to provide a limited amount of information in an efficient manner without using substantial Exchange resources.

<sup>5</sup> An Options Exchange Official will provide the requested information when doing so does not interfere with their regulatory responsibilities. Further, the BOX Book is continuously being updated through the actions of other market participants; therefore, there is no guarantee that the information provided will remain accurate once verbally communicated.

Official or his or her designee. All other Participants may contact the MOC.<sup>6</sup>

The Exchange is proposing to offer this information at no cost to Participants. The process of providing the requested information to Participants is manual in nature.<sup>7</sup> An Options Exchange Official or his or her designee, or the MOC, may provide this information to Participants upon request. The Exchange notes that any information will be provided on an anonymous basis.

The proposed change will provide additional visibility to the BOX Book for Participants looking to execute orders on the Exchange. For example, a Floor Broker sourcing liquidity could use this information as another means for probing the market. Specifically, since the initiating side<sup>8</sup> of a Qualified Open Outcry Order (“QOO Order”)<sup>9</sup> will match with Public Customer Orders on the BOX Book and any other orders or quotes ranked ahead of such Public Customer Orders at the execution price first,<sup>10</sup> this information is a valuable piece in understanding the total liquidity available. By providing the amount of priority interest on the BOX Book to a Floor Broker, the Floor Broker will be able to determine the number of contracts on the BOX Book that will be able to match with the initiating side. Further, this will provide certainty to the Floor Broker of the number of contracts that must be located from additional liquidity sources in order to execute a QOO Order. Additionally, knowing the amount of priority interest will provide a Floor Broker with the number of contracts that the Floor Broker must sweep in order to execute a QOO Order when there is resting Public Customer interest at the execution price of the QOO Order.<sup>11</sup> Other Participants may also find this

<sup>6</sup> The term “Market Operations Center” or “MOC” means the BOX Market Operations Center, which provides market support for Options Participants during the trading day. *See* Rule 100(a)(32).

<sup>7</sup> Participants must request this information each time; the Exchange will not provide continuous updated information.

<sup>8</sup> A QOO Order has two sides; the initiating side and the contra-side. The initiating side is the order which must be filled in its entirety. The contra-side must guarantee the full size of the initiating side of the QOO Order and may provide a book sweep size as provided in Rule 7600(h). *See* Rule 7600(a)(1).

<sup>9</sup> A QOO Order is a two-sided order that is used by Floor Brokers to execute transactions from the Trading Floor. *See* Rule 7600.

<sup>10</sup> *See* Rule 7600(d)(2).

<sup>11</sup> The executing Floor Broker could send an order to clear out the priority interest or use the book sweep size feature as provided in Rule 7600(h). The Exchange notes that the book sweep size feature will only help the Floor Broker clear priority interest on the contra-side of the QOO Order because the initiating side of a QOO Order must be executed in its entirety.

information useful in determining the composition of liquidity on the Exchange’s Book.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>13</sup> in particular, in that it is 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. In particular, the Exchange believes the proposed rule change is consistent with the offerings of other options exchanges.<sup>14</sup>

The Exchange believes that the proposed change removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by providing increased transparency to Participants. The Exchange believes the proposed change will enhance a Floor Broker’s ability to execute QOO Orders, leading to increased executions on the Exchange. The Exchange believes the proposed change will lead to increased interaction with the BOX Book because Floor Brokers will be aware of the amount of liquidity available on the BOX Book that may interact with their QOO Order and may choose to use such liquidity when executing orders from the Trading Floor or use a separate order to sweep that interest. As such, the proposed change has the potential to provide more liquidity on the Exchange to the benefit of all market participants. Additionally, the Exchange believes that the proposed change will be a valuable tool for all Participants probing the market by providing greater clarity on the composition and availability of liquidity. As such, the Exchange believes that the proposed change will benefit all market participants because it will provide the opportunity for increased BOX Book interaction.

The Exchange believes that providing the proposed information is fair, reasonable and not unfairly discriminatory. The proposed information is available to all Participants regardless of whether the Participant accesses the Exchange electronically or has a presence on the Trading Floor.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> *See supra* note 4.

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

The proposed change would allow the Exchange to provide Participants with certain information. As discussed above, the proposed change aligns the rules of the Exchange with the floor procedures and rules of other options exchanges<sup>15</sup> and will allow the Exchange to compete with these other options exchanges. The Exchange believes it will help Participants at the Exchange to compete for executions against market participants at other exchanges by providing an additional tool to the Participants on BOX. This, in turn, helps the Exchange compete against other exchanges in a deeply competitive landscape. As such, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

### 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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2018-18 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-2018-18. 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 website (<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 website 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2018-18 and should be submitted on or before June 21, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83326; File No. SR-OCC-2017-022]

### Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change Related to The Options Clearing Corporation's Margin Methodology

May 24, 2018.

#### I. Introduction

On November 13, 2017, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2017-022 ("Proposed Rule Change") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder to propose several enhancements to OCC's margin methodology, the System for Theoretical Analysis and Numerical Simulations ("STANS"), OCC's proprietary risk management system that calculates clearing member margin requirements.<sup>3</sup> The proposed changes would modify OCC's margin methodology to: (1) Obtain daily price data for equity products (including daily corporate action-adjusted returns of equities where prices and thus returns of securities are adjusted for any dividends issued, stock splits, etc.) for use in the daily estimation of econometric model parameters; (2) enhance its econometric model for updating statistical parameters (e.g., parameters concerning correlations or volatility) for all risk factors that reflect the most recent data obtained; (3) improve the sensitivity and stability of correlation estimates across risk factors by using de-volatilized<sup>4</sup> returns (but using a 500 day look back period); and (4) improve OCC's methodology related to the treatment of defaulting securities<sup>5</sup> that would result in stable and realistic risk estimates for such securities.<sup>6</sup> The Proposed Rule Change was published for comment in the **Federal Register** on December 4,

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

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

<sup>3</sup> See Notice *infra* note 7, at 82 FR 57306.

<sup>4</sup> De-volatilization is a process of normalizing historical data with the associated volatility thus facilitating comparison between different sets of data.

<sup>5</sup> Within the context of OCC's margin system, securities that do not have enough historical data for calibration are classified as "defaulting securities." See Notice *infra* note 15, 82 FR at 61355.

<sup>6</sup> See Notice *infra* note 7, at 82 FR 61354.

<sup>15</sup> See *supra* note 4.

<sup>16</sup> 17 CFR 200.30-3(a)(12).