

Commission of any written comments that it receives.

### 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) of the Act<sup>12</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>13</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-NSCC-2018-002 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-NSCC-2018-002. 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 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 NSCC and on NSCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). 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-NSCC-2018-002 and should be submitted on or before July 5, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

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

[FR Doc. 2018-12752 Filed 6-13-18; 8:45 am]

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83398; File No. SR-FINRA-2018-013]

#### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Designation of Longer Period for Commission Action on a Proposed Rule Change To Establish a Second Trade Reporting Facility in Conjunction With Nasdaq, Inc.

June 8, 2018.

On April 19, 2018, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to establish a second Trade Reporting Facility to be operated in conjunction with Nasdaq, Inc. The proposed rule change was published for comment in the **Federal Register** on April 26, 2018.<sup>3</sup> The Commission received no comment letters on the proposal.

Section 19(b)(2) of the Act<sup>4</sup> provides that, within 45 days of the publication of the notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer

<sup>14</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> See Securities Exchange Act Release No. 83082 (April 20, 2018), 83 FR 18379 ("Notice").

<sup>4</sup> 15 U.S.C. 78s(b)(2).

period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is June 10, 2018. The Commission is extending this 45-day time period.

The Commission has determined that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the issues raised by the proposed rule change. Accordingly, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> the Commission designates July 25, 2018, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change (File No. SR FINRA-2018-013).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

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

[FR Doc. 2018-12753 Filed 6-13-18; 8:45 am]

BILLING CODE 8011-01-P

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83396; File No. SR-BOX-2018-21]

#### 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 To Amend Fees and Rebates for Non-Auction Transactions

June 8, 2018.

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 May 31, 2018, 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

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 200.30-3(a)(31).

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

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

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).

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 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 June 1, 2018. 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://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 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 make changes to Section I. (Electronic Transaction Fees).

Exchange Fees for Non-Auction Transactions

The Exchange proposes to adjust certain fees for Non-Auction Transactions. Currently, for all non-auction transactions, fees and credits are assessed depending upon three factors: (i) The account type of the Participant submitting the order; (ii) whether the Participant is a liquidity provider or liquidity taker; and (iii) the account type of the contra party. Non-Auction Transactions in Penny Pilot Classes are assessed different fees or credits than Non-Auction Transactions in Non-Penny Pilot Classes.

The current fees for Non-Auction Transactions are:

Account type	Contra party	Penny Pilot Classes		Non-Penny Pilot Classes	
		Maker fee	Taker fee	Maker fee	Taker fee
Public Customer .....	Public Customer .....	\$0.05	\$0.05	\$0.05	\$0.05
	Professional Customer/Broker Dealer .....	0.05	0.05	0.05	0.05
Professional Customer or Broker Dealer ..	Market Maker .....	0.05	0.05	0.05	0.05
	Public Customer .....	0.60	0.45	0.95	0.85
	Professional Customer/Broker Dealer .....	0.05	0.45	0.05	0.60
Market Maker .....	Market Maker .....	0.05	0.45	0.05	0.60
	Public Customer .....	0.27	0.43	0.65	0.80
	Professional Customer/Broker Dealer .....	0.00	0.29	0.00	0.40
	Market Maker .....	0.00	0.29	0.00	0.40

First, the Exchange proposes to remove the fees assessed for Public Customers that make or take liquidity against Public Customers in Penny Pilot and Non-Penny Pilot Classes. Next, the Exchange proposes to eliminate the fees assessed to Public Customers that make liquidity against Professional Customers/Broker Dealers and Market Makers in Penny Pilot and Non-Penny Pilot Classes. Lastly, the Exchange proposes to assess a \$0.20 credit for Public Customers that take liquidity from Professional Customers/Broker Dealers and Market Makers in Penny Pilot Classes and a \$0.50 credit for Public Customers that take liquidity from Professional Customers/Broker Dealers and Market Makers in Non-Penny Pilot Classes.

The Exchange proposes to adjust the fees assessed for Professional Customers and Broker Dealers. In Penny Pilot Classes, the Exchange proposes to adjust the fees assessed for Professional Customers and Broker Dealers that that

take liquidity from all other Participants. Specifically, the Exchange proposes to increase the fee assessed to Professional Customers and Broker Dealers that take liquidity from Public Customers, Professional Customers/Broker Dealers and Market Makers to \$0.50 from \$0.45 in Penny Pilot Classes. Additionally, the Exchange proposes to increase the fees assessed for Professional Customers and Broker Dealers making liquidity against Professional Customers and Broker Dealers and Market Makers in Penny Pilot Classes to \$0.15 from \$0.05. For Non-Penny Pilot Classes, the Exchange proposes to increase the fees assessed for Professional Customers and Broker Dealers making liquidity against Non-Public Customers to \$0.15 from \$0.05. The Exchange also proposes to increase the fees assessed for Professional Customers and Broker Dealers taking liquidity from Public Customers to \$0.95 from \$0.85 in Non-Penny Pilot Classes. Lastly, with regard to

Professional Customers/Broker Dealers taking liquidity from Professional Customers/Broker Dealers and Market Makers in Non-Penny Pilot Classes, the Exchange proposes to increase the fees assessed to \$0.85 from \$0.60.

The Exchange then proposes to adjust the fees assessed for Market Makers in Non-Auction Transactions. First, the Exchange proposes to increase the fees assessed on Market Makers making liquidity against a Public Customer to \$0.50 from \$0.27 in Penny Pilot Classes. With regard to Market Makers taking liquidity against Public Customers in Penny Pilot Classes, the Exchange proposes to increase the fee to \$0.50 from \$0.43. Further, the Exchange proposes to increase the fee for Market Makers taking liquidity against Professional Customers and Broker Dealers and Market Makers in Penny Pilot Classes to \$0.50 from \$0.29. Lastly, the Exchange proposes to adjust the fees assessed to Market Makers in Non-Penny Pilot Classes. Specifically, the

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

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

Exchange proposes to increase the fee assessed to a Market Maker when making liquidity from a Public Customer in Non-Penny Pilot Classes to \$0.95 from \$0.65. In Non-Penny Pilot Classes, the Exchange proposes to

increase the fee assessed to Market Makers taking liquidity from a Public Customer to \$0.95 from \$0.80. Lastly, the Exchange proposes to increase the fees assessed to Market Makers taking liquidity from Professional Customers/

Broker Dealers and Market Makers in Non-Penny Pilot Classes to \$0.75 from \$0.40.

The fees for Non-Auction Transactions will be as follows:

Account type	Contra party	Penny Pilot Classes		Non-Penny Pilot Classes	
		Maker fee	Taker fee	Maker fee	Taker fee
Public Customer .....	Public Customer .....	\$0.00	\$0.00	\$0.00	\$0.00
	Professional Customer/Broker Dealer .....	0.00	(0.20)	0.00	(0.50)
	Market Maker .....	0.00	(0.20)	0.00	(0.50)
Professional Customer or Broker Dealer	Public Customer .....	0.60	0.50	0.95	0.95
	Professional Customer/Broker Dealer	0.15	0.50	0.15	0.85
	Market Maker .....	0.15	0.50	0.15	0.85
Market Maker .....	Public Customer .....	0.50	0.50	0.95	0.95
	Professional Customer/Broker Dealer .....	0.00	0.50	0.00	0.75
	Market Maker .....	0.00	0.50	0.00	0.75

Tiered Volume Rebate for Non-Auction Transactions

The Exchange proposes to amend Section I.A.1. of the BOX Fee Schedule,

Tiered Volume Rebate for Non-Auction Transactions. Specifically, the Exchange proposes to adjust the rebates in the Tiered Volume Rebate for Public

Customers in Non Auction Transactions. The current Tiered Volume Rebate for Public Customers in Non-Auction Transactions is as follows:

Tier	Percentage thresholds of national customer volume in multiply-listed options classes (monthly)	Per contract rebate			
		Penny Pilot Classes		Non-Penny Pilot Classes	
		Maker	Taker	Maker	Taker
1 .....	0.000–0.129 .....	\$0.00	\$0.00	\$0.00	\$0.00
2 .....	0.130–0.339 .....	(0.05)	(0.05)	(0.20)	(0.20)
3 .....	0.340–0.549 .....	(0.15)	(0.15)	(0.30)	(0.30)
4 .....	0.550 and Above .....	(0.25)	(0.25)	(0.50)	(0.50)

The Exchange proposes to adjust certain maker and taker rebates in Tiers 2 through 4 of the Tiered Volume Rebate structure for Public Customers in both

Penny Pilot Classes and Non-Penny Pilot Classes. The new per contract rebate for Public Customers in Non-Auction Transactions as set forth in

Section I.A.1. of the BOX Fee Schedule will be as follows:

Tier	Percentage thresholds of national customer volume in multiply-listed options classes (monthly)	Per contract rebate			
		Penny Pilot Classes		Non-Penny Pilot Classes	
		Maker	Taker	Maker	Taker
1 .....	0.000–0.129 .....	\$0.00	\$0.00	\$0.00	\$0.00
2 .....	0.130–0.339 .....	(0.05)	(0.15)	(0.15)	(0.27)
3 .....	0.340–0.549 .....	(0.10)	(0.20)	(0.30)	(0.32)
4 .....	0.550 and Above .....	(0.27)	(0.27)	(0.60)	(0.40)

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 proposed changes will allow the

Exchange to be competitive with other exchanges and to apply fees, credits and rebates in a manner that is equitable among all BOX Participants. Further, the Exchange operates within a highly competitive market in which market participants can readily direct order flow to any other competing exchange if they determine fees at a particular exchange to be excessive.

Non-Auction Transactions

The Exchange believes it is equitable, reasonable and not unfairly discriminatory to assess fees according

to the account type of the Participant originating the order and the contra party. This fee structure has been in place on the Exchange since 2014 and the Exchange is simply adjusting certain fees within the structure.<sup>6</sup> The result of this structure is that a Participant does not know the fee it will be charged when submitting certain orders. Therefore, the Participant must recognize that it could be charged the

<sup>6</sup> See Securities Exchange Release No. 73547 (November 6, 2014), 79 FR 67520 (November 13, 2014) (Notice of Filing and Immediate Effectiveness SR-BOX-2014-25).

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

highest applicable fee on the Exchange's schedule, which may, instead, be lowered depending upon how the order interacts.

The Exchange believes removing non-auction transaction fees for Public Customers making or taking liquidity against Public Customers in Penny and Non-Penny Pilot Classes, as well as Public Customers making liquidity against Professional Customers, Broker Dealers and Market Makers is reasonable, equitable and not unfairly discriminatory. Further, the Exchange believes that providing a \$0.20 and \$0.50 credit to Public Customers that take liquidity from Professional Customers, Broker Dealers and Market Makers in Penny Pilot Classes and Non-Penny Pilot Classes, respectively, is also reasonable, equitable and not unfairly discriminatory. The Exchange notes that it has either not charged or provided a credit to Public Customers for Non-Auction Transactions on BOX in the past.<sup>7</sup> Further, the Exchange believes providing a credit or charging no fee to Public Customers for all Non-Auction Transactions is equitable and not unfairly discriminatory. 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 Public Customer benefit. Accordingly, the Exchange believes that charging no fee or providing a credit for Public Customers is appropriate and not unfairly discriminatory. Public Customers are less sophisticated than other Participants and the credit will help to attract a high level of Public Customer order flow to the BOX Book and create liquidity, which the Exchange believes will ultimately benefit all Participants trading on BOX.

Finally, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to give Public Customers a credit (or charge no fee) when their orders execute against a non-Public Customer and, accordingly, charge non-Public Customers a higher fee when their orders execute against a Public Customer. As stated above, the Exchange aims to improve markets by developing features for the benefit of its Public Customers. Similar to the payment for order flow and other pricing models that have been adopted by the Exchange and other exchanges to attract Public Customer order flow, the Exchange increases fees to non-Public Customers in order to provide

incentives for Public Customers. Further, the Exchange believes that providing a higher credit in Non-Penny Pilot Classes is reasonable. As discussed herein, Non-Penny Pilot Classes are traded less actively and the Exchange believes that providing this higher credit in Non-Penny Pilot Classes will provide incentive for Public Customers to trade in these classes. The Exchange believes that providing incentives for Non-Auction Transactions by Public Customers is reasonable and, ultimately, will benefit all Participants trading on the Exchange by attracting Public Customer order flow.

The Exchange believes that the proposed fees for Professional Customers and Broker Dealers in Non-Auction Transactions are reasonable. Under the proposed fee structure, a Professional Customer or Broker Dealer making liquidity and interacting with a Professional Customer, Broker Dealer or Market Maker will now be charged a fee of \$0.15 in both Penny and Non-Penny Pilot Classes. If the Professional Customer or Broker Dealer is instead taking liquidity in the Penny Pilot, it will be charged \$0.50 against any other Participant. If the Professional Customer or Broker Dealer is taking liquidity in the Non-Penny Pilot, it will be charged \$0.95 if it interacts with a Public Customer and \$0.85 if it interacts with a Professional Customer/Broker Dealer or Market Maker. The Exchange believes that the proposed fees are reasonable as they are in line with the current fees assessed by another competing exchange.<sup>8</sup>

The Exchange believes that charging Professional Customers and Broker Dealers higher fees than Public Customers for their Non-Auction Transactions is equitable and not unfairly discriminatory. Professional Customers, while Public Customers by virtue of not being Broker Dealers, generally engage in trading activity more similar to Broker Dealer proprietary trading accounts. The Exchange believes that the higher level of trading activity from these Participants will draw a greater amount of BOX system resources; the Exchange aims to recover its costs by assessing Professional Customers and Broker Dealers higher fees for transactions.

The Exchange believes that the proposed fees for Market Makers in

Non-Auction Transactions are reasonable. With the proposed fee changes, a Market Maker making liquidity will now be charged a higher fee of \$0.50 (Penny Pilot) and \$0.95 (Non-Penny Pilot) for interacting with a Public Customer. Further, a Market Maker taking liquidity against a Public Customer will now be charged \$0.50 in Penny Pilot Classes and \$0.95 in Non-Penny Pilot Classes. If a Market Maker is taking liquidity in Penny Pilot Classes and interacts with a Professional Customer/Broker Dealer or Market Maker they will now be charged a fee of \$0.50. Lastly, if a Market Maker is taking liquidity in Non-Penny Pilot Classes and interacts with a Professional Customer/Broker Dealer or Market Maker, they will now be charged \$0.75. The Exchange believes the fees listed above are reasonable and appropriate as they are in line with what is currently charged by the industry.<sup>9</sup>

Further, the Exchange believes it is equitable and not unfairly discriminatory to charge the Market Maker equal or less for making or taking liquidity than Professional Customers or Broker Dealers. Specifically, Market Makers have certain obligations that other Participants do not and can ultimately provide more value by directing liquidity to the Exchange, which the Exchange believes will benefit all Participants trading on BOX.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory for Professional Customers, Broker Dealers and Market Makers to be charged higher fees when interacting with Public Customers than interacting with other Participants on BOX. The Exchange believes they are reasonable as they are in a similar range with the fees in the options industry.<sup>10</sup> Further, as stated above, the Exchange believes charging a higher fee for interactions with a Public Customer when compared to interactions with other Participants is equitable and not unfairly discriminatory because it allows the Exchange to incentivize Public Customer order flow by offering low fees and rebate potential to Public Customers in Non-Auction Transactions. The Exchange believes that providing these incentives for Non-Auction Transactions by Public

<sup>9</sup> *Id.* On ISE and Arca, the general range for Market Maker fees is between \$0.10 and \$1.10. The Exchange notes that Arca provides a rebate to Market Makers that post liquidity in both Penny and Non-Penny Pilot Classes.

<sup>10</sup> *Id.* On ISE and Arca, the general range for Broker Dealer and Professional Customer fees is between \$0.10 and \$1.10. The Exchange notes that Arca provides a rebate to Broker Dealers and Professional Customers that make liquidity in Penny and Non-Penny Pilot Classes.

<sup>7</sup> *Id.* See also Securities Exchange Act Release No. 75350 (July 1, 2015), 80 FR 39169 (July 8, 2015) (SR-BOX-2015-24).

<sup>8</sup> See Nasdaq ISE, LLC ("ISE") Fee Schedule. On ISE, Professional Customers and Broker Dealers are charged \$0.10 for making liquidity in Penny Pilot Classes and charged \$0.46 for taking liquidity in Penny Pilot Classes. See also NYSE Arca Inc ("Arca") Fee Schedule. Arca charges Professional Customers and Broker Dealers \$1.10 for taking liquidity in Non-Penny Pilot Classes.

Customers will benefit all Participants trading on the Exchange by attracting this Public Customer order flow.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory that Professional Customers, Broker Dealers and Market Makers be charged a higher fee for certain orders removing liquidity, when compared to the fee they receive for orders that add liquidity. Charging a lower fee for orders that add liquidity will promote liquidity on the Exchange and ultimately benefit all participants on BOX. Further, the concept of incentivizing orders that add liquidity over orders that remove liquidity is commonly accepted within the industry as part of the "Make/Take" liquidity model.

The Exchange believes that providing a credit to Public Customers that take liquidity from Professional Customers/ Broker Dealers and Market Makers in Penny and Non-Penny Pilot Classes, compared to the \$0.00 fee they are assessed when making liquidity against Professional Customers/Broker Dealers and Market Makers, is reasonable, equitable and not unfairly discriminatory. Instead of providing a credit for both making and taking liquidity, the Exchange believes the high credit for taking liquidity will attract Public Customer order flow to BOX which, in turn, will lead to more robust market making on the Exchange, thus benefitting all market participants. 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 Public Customer benefit. As such, the Exchange believes the proposed credit to Public Customers that take liquidity from Professional Customers/Broker Dealers and Market Makers in Penny and Non-Penny Pilot classes is reasonable.

Finally, the Exchange also believes it is reasonable to charge Professional Customers and Broker Dealers and Market Makers less for certain executions in Penny Pilot issues compared to Non-Penny Pilot issues because these classes are typically more actively traded; assessing lower fees will further incentivize order flow in Penny Pilot issues on the Exchange, ultimately benefitting all Participants trading on BOX.

#### Tiered Volume Rebate for Non-Auction Transactions

BOX believes it is reasonable, equitable and not unfairly discriminatory to adjust certain rebates in the volume based thresholds for Public Customers in all Non-Auction

Transactions. The volume based thresholds and applicable rebates are meant to incentivize Public Customers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange. Other exchanges employ similar incentive programs;<sup>11</sup> and the Exchange believes that the proposed changes to the volume based rebates are reasonable and competitive when compared to incentive structures at other exchanges.

The Exchange believes it is reasonable to offer a higher per contract rebate for transactions in Non-Penny Pilot Classes compared to Penny Pilot Classes because Non-Penny Pilot Classes are typically less actively traded and have wider spreads. The Exchange believes that offering a higher rebate will incentivize Public Customer order flow in Non-Penny Pilot issues on the Exchange, ultimately benefitting all Participants trading on BOX.

The Exchange believes it is reasonable to adjust certain rebates in Tiers 2 through 4 of the Tiered Volume Rebate for Public Customers making and taking liquidity in Non-Auction Transactions. The rebates are meant to incentivize Public Customers to direct order flow to the Exchange to obtain the benefit of the rebate, which will in turn benefit all market participants by increasing liquidity on the Exchange.

The Exchange continues to believe it is equitable and not unfairly discriminatory to have these rebate structures for Public Customers in Non-Auction transactions. The practice of incentivizing increased Public Customer order flow is common in the options markets. While the Exchange proposes to decrease some of the Public Customer rebates in Penny and Non-Penny Pilot Classes, the Exchange believes that Public Customers will still benefit from the opportunity to obtain a rebate. Additionally, most Public Customers currently achieve a volume based rebate in their Non-Auction transactions.

Further, the Exchange believes that providing a higher per contract rebate for Public Customers taking liquidity in Penny and Non-Penny Pilot Classes compared to making liquidity is reasonable and appropriate. As discussed above, the Exchange believes the proposed rebates for taking liquidity in Penny and Non-Penny Pilot Classes

will attract Public Customer order flow to BOX which, in turn, will lead to more robust market making on the Exchange, thus benefitting all market participants. As such, the Exchange believes that the proposed changes are reasonable and appropriate.

#### 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 necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that the proposed adjustments to fees in the Non-Auction Transactions fee structure will not impose a burden on competition among various Exchange Participants. Rather, BOX believes that the changes will result in the Participants being charged appropriately for these transactions and are designed to enhance competition in Non-Auction transactions on BOX. Submitting an order is entirely voluntary and Participants can determine which type of order they wish to submit, if any, to the Exchange.

The Exchange believes that amending the proposed rebate structure for Public Customer Non-Auction Transactions will not impose a burden on competition among various Exchange Participants. The Exchange believes that the proposed changes will result in Public Customers being rebated appropriately for these transactions. Further, the Exchange believes that this proposal will enhance competition between exchanges because it is designed to allow the Exchange to better compete with other exchanges for order flow.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing exchanges. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

#### 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.

<sup>11</sup> See Section B of the PHLX Pricing Schedule entitled "Customer Rebate Program;" and Cboe Exchange, Inc. ("CBOE") Volume Incentive Program ("VIP"). CBOE's VIP pays certain tiered rebates to Trading Permit Holders for electronically executed multiply-listed option orders, which include AIM orders.

### 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>12</sup> and Rule 19b-4(f)(2) thereunder,<sup>13</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.

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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 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. 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-2018-21, and should be submitted on or before July 5, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

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

[FR Doc. 2018-12751 Filed 6-13-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83401; File No. SR-FICC-2018-003]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Amend the Fee Structure of the Government Securities Division Rulebook

June 8, 2018.

On April 27, 2018, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-FICC-2018-003, 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> The proposed rule change was published for comment in the **Federal Register** on May 8, 2018.<sup>3</sup> The Commission received one comment letter on the proposed rule change.<sup>4</sup> For the reasons discussed below, the

<sup>14</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> Securities Exchange Act Release No. 83153 (May 2, 2018), 83 FR 20882 (May 8, 2018) (SR-FICC-2018-003) ("Notice").

<sup>4</sup> Letter from Ted Bragg, Vice President—Head of U.S. Fixed Income, Nasdaq ("Nasdaq"), dated May 14, 2018, to Eduardo A. Aleman, Assistant Secretary, Commission ("Nasdaq Letter") available at <https://www.sec.gov/comments/sr-ficc-2018-003/ficc2018003.htm>.

Commission approves the proposed rule change.

### I. Description of the Proposed Rule Change

The proposed rule change would amend the FICC Government Securities Division ("GSD") Rulebook ("GSD Rules")<sup>5</sup> to modify the GSD Fee Structure. FICC states that it designed the proposed rule change to reduce complexity and to better align pricing with the costs of services provided by GSD.<sup>6</sup> More specifically, FICC states that the transaction processing fees and the position management fees associated with the delivery-versus-payment ("DVP") service account for approximately 30 percent and 70 percent, respectively, of GSD's projected costs from the DVP service.<sup>7</sup> Accordingly, FICC states that the proposed fee changes are designed to align GSD's revenue with that 30/70 percent split between transaction processing and position management costs, respectively.<sup>8</sup> In doing so, FICC would shift the GSD Fee Structure regarding the DVP service away from the existing volume-driven approach to a position-based approach.<sup>9</sup> Ultimately, FICC expects GSD's net revenue to remain relatively unchanged as a result of this proposal.<sup>10</sup>

#### A. Proposed Changes to the GSD Fee Structure

The proposed GSD Fee Structure would, in effect, establish 4 new fees, modify 1 existing fee, and eliminate 12 fees.<sup>11</sup> These proposed changes are summarized below.

##### 1. New Fees

In proposed Section I of the GSD Fee Structure, FICC would replace the seven-tiered trade submission fees for both dealer accounts and broker accounts with a single transaction processing fee that would be charged to GSD members ("Members") upon the comparison of a side of a buy/sell transaction or a Repo Transaction in the DVP service.<sup>12</sup> Specifically, dealer accounts would be charged a fee of \$0.04 per million par value for transaction processing, and broker accounts would be charged a fee of

<sup>5</sup> Available at <http://www.dtcc.com/legal/rules-and-procedures>.

<sup>6</sup> Notice, 83 FR at 20882.

<sup>7</sup> *Id.* at 20884.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>13</sup> 17 CFR 240.19b-4(f)(2).