

days from that date, and January 28, 2022 is 240 days from that date. The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change and the issues raised in the comment letters that have been submitted in connection therewith. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,¹⁰ designates January 28, 2022 as the date by which the Commission shall either approve or disapprove the proposed rule change, as modified by Amendment No. 1 (File No. SR-BOX-2021-06).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

J. Matthew DeLesDernier,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-93659; File No. SR-BOX-2021-27]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Increase Position Limits for Options on Certain Exchange-Traded Funds

November 23, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 16, 2021, BOX Exchange LLC (“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 the Substance of the Proposed Rule Change

The Exchange proposes to amend IM-3120-2 to permit [sic] increase position limits for options on certain exchange-traded funds (“ETFs”). 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 amend IM-3120-2 to increase position limits for options on certain exchange-traded funds (“ETFs”). This is a competitive filing that is based on a proposal recently submitted by Cboe Exchange, Inc. (“Cboe”) and approved by the Commission.³

Position limits are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. While position limits should address and discourage the potential for manipulative schemes and adverse market impact, if such limits are set too low, participation in the options market may be discouraged. The Exchange believes that position limits must therefore be balanced between mitigating concerns of any potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

In its filing, Cboe states that it has observed an ongoing increase in demand, for both trading and hedging purposes, in options on the following exchange-traded products (“ETPs”): (1) iShares iBoxx \$ Investment Grade Corporate Bond ETF (“LQD”) and (2) VanEck Vectors Gold Miners ETF (“GDX”). Though the demand for these options appears to have increased, position limits for options on LQD and GDX have remained the same. The

Exchange believes these unchanged position limits may have impeded, and may continue to impede, trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market Makers to make liquid markets with tighter spreads in these options resulting in the transfer of volume to over-the-counter (“OTC”) markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. Therefore, the Exchange believes that the proposed increases in position limits for options on LQD and GDX may enable liquidity providers to provide additional liquidity to the Exchange and other market participants to transfer their liquidity demands from OTC markets to the Exchange. As described in further detail below, the Exchange believes that the continuously increasing market capitalization of LQD and GDX, ETF components, as well as the highly liquid markets for each, reduces the concerns for potential market manipulation and/or disruption in the underlying markets upon increasing position limits, while the rising demand for trading options on LQD and GDX for legitimate economic purposes compels an increase in position limits.

Proposed Position Limits for Options on LQD and GDX

Position limits for options on ETFs are determined pursuant to Rule 3120 and vary according to the number of outstanding shares and the trading volumes of the underlying equity security (which includes ETFs) over the past six months. Pursuant to Rule 3120, the largest in capitalization and the most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market. Options on LQD and GDX are currently subject to the standard position limit of 250,000 contracts as set forth in Rule 3120. IM-3120-2 sets forth separate, higher position limits for specific equity options (including options on specific ETFs).⁴ The

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 93525 (November 4, 2021) (Notice of Filing of Amendment Nos. 2 and 3 and Order Granting Accelerated Approval of SR-CBOE-2021-029).

⁴ Adjusted option series, in which one option contract in the series represents the delivery of other than 100 shares of the underlying security as

Exchange proposes to amend IM-3120-2 to increase the position limits and, as a result, exercise limits, for options on

LQD and GDX.⁵ The table below represents the current, and proposed,

position limits for options on the ETFs subject to this proposal:

Product	Current position limit	Proposal position limit
LQD	250,000	500,000
GDX	250,000	500,000

The Exchange notes that the proposed position limit for options on LQD and GDX are consistent with current position limits for options on the iShares MSCI Brazil Capped ETF (“EWZ”), iShares 20+ Year Treasury Bond Fund ETF (“TLT”), iShares MSCI Japan ETF (“EWJ”), iShares iBoxx High Yield Corporate Bond Fund (“HYG”) and Financial Select Sector SPDR Fund [sic] (“XLF”). The Exchange represents that LQD and GDX qualify for either (1) the initial listing criteria set forth in Rule 5020(h)(2) for ETFs holding non-U.S. component securities, or (2) the generic listing standards for series of portfolio depository receipts and index fund shares based on international or global indexes under which a comprehensive surveillance agreement (“CSA”) is not required, as well as (3) the continued listing criteria in Rule

5030 (for ETFs).⁶ In compliance with its listing rules, the Exchange also represents that non-U.S. component securities that are not subject to a comprehensive surveillance agreement (“CSA”) do not, in the aggregate, represent more than more than 50% of the weight of LQD and GDX.⁷

Composition and Growth Analysis for LQD and GDX

As stated above, position (and exercise) limits are intended to prevent the establishment of options positions that can be used to or potentially create incentives to manipulate the underlying market so as to benefit options positions. The Securities and Exchange Commission (the “Commission”) has recognized that these limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market, as

well as serve to reduce the possibility for disruption of the options market itself, especially in illiquid classes.⁸ LQD and GDX, as well as the ETF components, are highly liquid and are based on a broad set of highly liquid securities and other reference assets, as demonstrated through the trading statistics presented in this proposal. To support the proposed position limit increases, Cboe considered the liquidity of LQD and GDX, the value of LQD and GDX, their components and the relevant marketplace, the share and option volume for LQD and GDX, and, where applicable, the availability or comparison of economically equivalent products to options on LQD and GDX.

Cboe collected the following trading statistics regarding shares of and options on LQD and GDX and the values of LQD and GDX and their components:

Product	ADV ⁹ (ETF shares) (millions)	ADV (option contracts)	Shares outstanding (USD) (millions) ¹⁰	Fund market cap (USD) (millions) ¹¹	Share value (USD)
LQD	14.1	30,300	308.1	54,113.7	130.13 (NAV)
GDX	39.4	166,000	419.8	16,170.5	33.80 (NAV)

Cboe also collected the same trading statistics, where applicable, as above regarding a sample of other ETFs, as

well as the current position limits for options on such ETFs, to draw comparisons in support of proposed

position limit increases for options on LQD and GDX (see further discussion below):

Product	ADV (ETF shares) (millions)	ADV (option contracts)	Shares outstanding (millions)	Fund market cap (USD) (millions)	Share value (USD)	Current position limits
EWZ	29.2	139,400	173.8	6,506.8	33.71 (NAV)	500,000
TLT	11.5	111,800	103.7	17,121.3	136.85 (NAV)	500,000
EWJ	8.2	15,500	185.3	13,860.7	69.72 (NAV)	500,000
HYG	30.5	261,600	254.5	24,067.5	86.86 (NAV)	500,000

a result of a corporate action by the issuer of the security underlying such option series, do not impact the notional value of the underlying security represented by those options. When an underlying security undergoes a corporate action resulting in adjusted series, the Exchange lists new standard option series across all appropriate expiration months the day after the existing series are adjusted. The adjusted series are generally actively traded for a short period of time following adjustment, but orders to open options positions in the underlying security are almost exclusively placed in the new standard option series contracts.

⁵ By virtue of Rule 3120(d), which is not being amended by this filing, the exercise limits for LQD and GDX options would be similarly increased.

⁶ The Exchange notes that the initial listing criteria for options on ETFs that hold non-U.S. component securities are more stringent than the maintenance listing criteria for those same ETF options. See Rule 5020(h)(2).

⁷ See Rule 5020(h)(2).

⁸ See Securities Exchange Act Release No. 67672 (August 15, 2012), 77 FR 50750 (August 22, 2012) (SR-NYSEAmex-2012-29).

⁹ Average daily volume (ADV) data for ETF shares and option contracts, as well as for ETF shares and

options on the comparative ETFs presented below, are for all of 2020. Additionally, reference to ADV in ETF shares and ETF options, and indexes herein this proposal are for all of calendar year 2020, unless otherwise indicated.

¹⁰ Shares Outstanding and Net Asset Values (“NAV”), as well as for the comparative ETFs presented below, are as of April 5, 2021 for all ETFs.

¹¹ Fund Market Capitalization data, as well as for the comparative ETFs presented below, are as of January 14, 2021.

The Exchange believes that, overall, the liquidity in the shares of LQD and GDZ and in their overlying options, the larger market capitalizations for each [sic] LQD and GDZ, and the overall market landscape relevant to each [sic] LQD and GDZ support the proposal to increase the position limits for each option class. Given the robust liquidity in and value of LQD and GDZ and their components, the Exchange does not anticipate that the proposed increase in position limits would create significant price movements as the relevant markets are large enough to adequately absorb potential price movements that may be caused by larger trades.

LQD tracks the performance of the Markit iBoxx USD Liquid Investment Grade (“IBOXIG”) Index, which is an index designed as a subset of the broader U.S. dollar-denominated corporate bond market which can be used as a basis for tradable products, such as ETFs, and is comprised of over 8,000 bonds.¹² The Exchange notes that from 2019 through 2020, ADV has grown significantly in shares of LQD and in options on LQD, from approximately 9.7 million shares in 2019 to 14.1 million through 2020, and from approximately 8,200 option contracts in 2019 to 30,300 through 2020. LQD also continued to experience significant growth in ADV in the first quarter of 2021 with an ADV of approximately 140,200 option contracts. Further, LQD generally experiences higher ADV in shares than both TLT (11.5 million shares) and EWJ (8.2 million shares) and almost double the ADV in option contracts than EWJ (15,500 option contracts). Options on each EWZ, TLT and EWJ are currently subject to a position limit of 500,000 contracts—the proposed limit for options on LQD. The NAV of LQD is also higher than, or comparable to, that of the NAV of the ETFs underlying the options that are currently subject to a position limit of 500,000 option contracts (as presented in the table above), which is indicative that the total value of its underlying components is generally higher or comparable. Per the tables above, LQD’s total market capitalization of approximately \$54.1 billion is also higher than or comparable to the total market capitalization of the ETFs underlying the options currently subject to a position limit of 500,000 [sic] contracts. In addition to this, the Exchange notes that, although there are currently no options listed for trading

on the IBOXIG Index, the components¹³ of the IBOXIG Index, which can be used in creating a basket of securities that equate to the LQD ETF, are made up of over 8,000 bonds for which the outstanding face value of each must be greater than or equal to \$2 billion.¹⁴ The Exchange believes that the total value of the bonds in the IBOXIG Index, coupled with LQD’s share and option volume, total market capitalization, and NAV price indicates that the market is large enough to absorb potential price movements caused by a large trade in LQD. Also, as evidenced above, trading volume in LQD shares has increased over the past few years and the Exchange understands that market participants’ need for options have continued to grow alongside the ETF. Particularly, the Exchange notes that in the last year, market participants have sought more cost-effective hedging strategies through the use of LQD options as a result of the borrow on other fixed income ETFs, such as HYG. Therefore, the Exchange believes that because LQD options are being increasingly utilized as an alternative to similar products, such as HYG options, then it is appropriate that options on LQD be subject to the same 500,000 contract position limit that currently exists for options on HYG.

GDZ seeks to replicate as closely as possible the price and yield performance of the NYSE Arca Gold Miners (“GDMNTR”) Index, which is intended to track the overall performance of companies involved in the gold mining industry.¹⁵ ADV in GDZ options has increased from 2019 through 2020, with an ADV of approximately 117,400 option contracts in 2019 to an ADV of approximately 166,000 option contracts in 2020. The Exchange notes that ADV in GDZ shares did not increase from 2019 to 2020. GDZ options also experienced an ADV of approximately 287,800 option contracts in the first quarter of 2021. The Exchange notes that the ADV in GDZ shares (39.4 million) and options on GDZ (166,000 option contracts) are greater than the ADV in EWZ (29.2 million shares and 139,300 option contracts), TLT (11.5 million shares and 111,800 option contracts), EWJ (8.2 million shares and 15,500 option contracts) and HYG (30.5 million shares and 261,600 option contracts), each of which is currently subject to a position limit of 500,000 option contracts—the

proposed limit for options on GDZ. GDZ also experiences a comparable, or higher, market capitalization (approximately \$16.2 billion) than EWZ, TLT and EWZ. The Exchange particularly notes that many of the Brazil-based gold mining constituents included in GDZ are also included in EWZ, which tracks the investment results of an index composed of Brazilian equities, and that the Exchange has not identified any issues with the continued listing and trading of EWZ options or any adverse market impact on EWZ in connection with the current 500,000 position limit in place for EWZ options. Additionally, like that of LDQ above, there is currently no index option analogue for the GDZ ETF on the GDMNTR Index approved for options trading, however, the components of the GDMNTR Index, which can be used to create the GDZ ETF, currently must each have a market capitalization greater than \$750 million, an ADV of at least 50,000 shares, and an average daily value traded of at least \$1 million in order to be eligible for inclusion in the GDMNTR Index. The Exchange believes that the GDMNTR Index component inclusion requirements, as well as GDZ’s share and option volume and total market capitalization, indicate that the GDZ market is sufficiently large and liquid enough to absorb price movements as a result of potentially oversized trades.

Creation and Redemption for ETFs

The Exchange believes that the creation and redemption process for the ETFs subject to this proposal will lessen the potential for manipulative activity with options on LQD and GDZ. When an ETF provider wants to create more shares, it looks to an Authorized Participant (“AP”) (generally a Market Maker or other large financial institution) to acquire the underlying components the ETF is to hold. For instance, when an ETF is designed to track the performance of an index, the AP can purchase all the constituent securities in the exact same weight as the index, then deliver those shares to the ETF provider. In exchange, the ETF provider gives the AP a block of equally valued ETF shares, on a one-for-one fair value basis. The price is based on the NAV, not the market value at which the ETF is trading. The creation of new ETF units can be conducted during an entire trading day and is not subject to position limits. This process works in reverse where the ETF provider seeks to decrease the number of shares that are available to trade. The creation and redemption processes for LQD and GDZ creates a direct link to the underlying

¹² See Markit iBoxx USD Liquid Investment Grade Index, available at <https://cdn.ihsmarkit.com/www/pdf/MKT-iBoxx-USD-Liquid-Investment-Grade-Index-factsheet.pdf> (January 14, 2021).

¹³ Investment grade corporate bonds.

¹⁴ See *supra* note 13.

¹⁵ See VanEck Vectors Gold Miners ETF, available at <https://www.vaneck.com/library/vaneck-vectors-etfs/gdx-fact-sheet-pdf> (January 14, 2021).

components of the ETF and serves to mitigate potential price impact of the ETF shares that might otherwise result from increased position limits for the options on LQD and GDX.

The Exchange understands that the ETF creation and redemption processes seek to keep an ETF's share price trading in line with the product's underlying net asset value. Because an ETF trades like a stock, its share price will fluctuate during the trading day, due to simple supply and demand. If demand to buy an ETF is high, for instance, an ETF's share price might rise above the value of its underlying components. When this happens, the AP or issuer believes the ETF may now be overpriced, so it may buy shares of the component securities or assets and then sell ETF shares in the open market. This may drive the ETF's share price back toward the underlying net asset value. Likewise, if an ETF share price starts trading at a discount to the component securities or assets it holds, the AP or issuer can buy shares of the ETF and redeem them for the underlying components. Buying undervalued ETF shares may drive the share price of an ETF back toward fair value. This arbitrage process helps to keep an ETF's share price in line with the value of its underlying portfolio.

Surveillance and Reporting Requirements

The Exchange believes that increasing the position limits for the options on LQD and GDX would lead to a more liquid and competitive market environment for these options, which will benefit customers interested in trading these products. The reporting requirement for the options on LQD and GDX would remain unchanged. Thus, the Exchange would still require that each Participant that maintains positions in the options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information would include, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market-Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market-Maker position information.¹⁶ Moreover, the

¹⁶ The Options Clearing Corporation ("OCC") through the Large option Position Reporting ("LOPR") system acts as a centralized service provider for Participant compliance with position reporting requirements by collecting data from each Participant, consolidating the information, and ultimately providing detailed listings of each Participant's report to the Exchange, as well as

Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level for the options subject to this proposal and will continue to serve as an important part of the Exchange's surveillance efforts.¹⁷

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange and other SROs are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify potential changes in composition of LQD and GDX and continued compliance with the Exchange's listing standards. These procedures utilize daily monitoring of market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable.¹⁸ The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,¹⁹ which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes.

The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on LQD and GDX. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a Participant must maintain for a large position held by itself or by its customer.²⁰ In addition, Rule 15c3-1²¹ imposes a capital charge on Participants to the extent of any margin deficiency resulting from the higher margin requirement.

Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

¹⁷ See Rule 3150 for reporting requirements.

¹⁸ The Exchange believes these procedures have been effective for the surveillance of trading the options subject to this proposal and will continue to employ them.

¹⁹ 17 CFR 240.13d-1.

²⁰ See Rule 10100 for a description of margin requirements.

²¹ 17 CFR 240.15c3-1.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),²² in general, and Section 6(b)(5) of the Act,²³ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed increase in position limits for options on LQD and GDX will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. The proposed increases will allow market participants to more fully implement hedging strategies in related derivative products and to further use options to achieve investment strategies (e.g., there are other exchange-traded products ("ETPs") that use options on the ETFs subject to this proposal as part of their investment strategy, and the applicable position limits as they stand today may inhibit these other ETPs in achieving their investment objectives, to the detriment of investors). Also, increasing the applicable position limits may allow Market Makers to provide the markets for these options with more liquidity in amounts commensurate with increased consumer demand in such markets. The proposed position limit increases may also encourage other liquidity providers to shift liquidity, as well as encourage consumers to shift demand, from OTC markets onto the Exchange, which will enhance the process of price discovery conducted on the Exchange through increased order flow.

In addition, the Exchange believes that the structure of LQD and GDX, the considerable market capitalization of the funds and underlying components,

²² 15 U.S.C. 78f(b).

²³ 15 U.S.C. 78f(b)(5).

²⁴ *Id.*

and the liquidity of the markets for the applicable options and underlying components will mitigate concerns regarding potential manipulation of the products and/or disruption of the underlying markets upon increasing the relevant position limits. As a general principle, increases in market capitalizations, active trading volume, and deep liquidity of the underlying components do not lead to manipulation and/or disruption. This general principle applies to the recently observed increased levels of market capitalization and trading volume and liquidity in shares of and options on LQD and GDX (as described above), and, as a result, the Exchange does not believe that the options markets or underlying markets would become susceptible to manipulation and/or disruption as a result of the proposed position limit increases. Indeed, the Commission has previously expressed the belief that not just increasing, but removing, position and exercise limits may bring additional depth and liquidity to the options markets without increasing concerns regarding intermarket manipulation or disruption of the options or the underlying securities.²⁵

Further, the Exchange notes that the proposed rule change to increase position limits for select actively traded options is not novel and the Commission has approved similar proposed rule changes to increase position limits for options on similar, highly liquid and actively traded ETPs.²⁶ Furthermore, the Exchange again notes that the proposed position limits for options on LQD and GDX are consistent with existing position limits for options on other ETFs in IM-3120-2.

The Exchange's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged position in the options on LQD and GDX, further promoting just and equitable principles of trading, the maintenance of a fair and

orderly market, and the protection of investors.

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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by Cboe that was approved by the Commission.²⁷ The Exchange does not believe the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the increased position limits (and exercise limits) will be available to all market participants and apply to each in the same manner. The Exchange believes that the proposed rule change will provide additional opportunities for market participants to more efficiently achieve their investment and trading objectives of market participants.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the Act. On the contrary, the Exchange believes the proposal promotes competition because it may attract additional order flow from the OTC market to exchanges, which would in turn compete amongst each other for those orders. The Exchange believes market participants would benefit from being able to trade options with increased position limits in an exchange environment in several ways, including but not limited to the following: (1) Enhanced efficiency in initiating and closing out position; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor. The Exchange notes that other options exchanges may choose to file similar proposals with the Commission to increase position limits on options on LQD and GDX.

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.

²⁷ See *supra*, note 3.

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 Act²⁸ and Rule 19b-4(f)(6) thereunder.²⁹

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act³⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)³¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange states that waiver of the operative delay would be consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to immediately increase the position limits for the products subject to this proposal, which the Exchange believes will provide consistency for BOX Participants that are also members at Cboe where these increased position limits are currently in place. For this reason, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.³²

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

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

³⁰ 17 CFR 240.19b-4(f)(6).

³¹ 17 CFR 240.19b-4(f)(6)(iii).

³² For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²⁵ See Securities Exchange Act Release No. 62147 (October 28, 2005) (SR-CBOE-2005-41), at 62149.

²⁶ See Securities Exchange Act Release Nos. 88768 (April 29, 2020), 85 FR 26736 (May 5, 2020) (SR-CBOE-2020-015); 83415 (June 12, 2018), 83 FR 28274 (June 18, 2018) (SR-CBOE-2018-042); and 68086 (October 23, 2012), 77 FR 65600 (October 29, 2012) (SR-CBOE-2012-066).

public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change 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. Please include File Number SR-BOX-2021-27 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-2021-27. 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 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-2021-27, and should be submitted on or before December 21, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

J. Matthew DeLesDernier,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-93661; File No. SR-Phlx-2021-70]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Increase Position Limits for Options on Certain Exchange-Traded Funds

November 23, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 19, 2021, Nasdaq PHLX LLC ("Phlx" 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to increase position limits for options on certain exchange-traded funds ("ETFs").

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The

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

Phlx proposes to increase certain position and exercise limits within Options 9, Section 13 and 15, respectively, similar to the Cboe Options Exchange, Inc. ("Cboe").³

Position limits are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. While position limits should address and discourage the potential for manipulative schemes and adverse market impact, if such limits are set too low, participation in the options market may be discouraged. The Exchange believes that position limits must therefore be balanced between mitigating concerns of any potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

The Exchange has observed an ongoing increase in demand, for both trading and hedging purposes, in options on the following exchange-traded funds ("ETFs"): (1) iShares iBoxx \$ Investment Grade Corporate Bond ETF ("LQD"); and (2) VanEck Vectors Gold Miners ETF ("GDX"), (collectively "Underlying ETFs"). Though the demand for these options appears to have increased, position limits for options on the Underlying ETFs have remained the same. The Exchange believes these unchanged position limits may have impeded, and may continue to impede, trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market Makers to make liquid markets with tighter spreads in these options resulting in the transfer of volume to over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not

³ See Securities Exchange Act Release No. 93525 (November 4, 2021), 86 FR 62584 (November 10, 2021) (SR-Cboe-2021-029) (Notice of Filing of Amendment Nos. 2 and 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 2, and 3, To Increase Position Limits for Options on Two Exchange-Traded Funds).

³³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.