

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34 94729; File No. SR-BOX-2022-08]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Proposed Rule Change To Amend Rule 12140 (Imposition of Fines for Minor Rule Violations), To Expand the List of Violations Eligible for Disposition Under the Exchange's Minor Rule Violation Plan and Update the Fine Schedule Applicable to Certain Minor Rule Violations

April 15, 2022.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 31, 2022, BOX Exchange LLC (the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), to expand the list of violations eligible for disposition under the Exchange's Minor Rule Violation Plan ("MRVP") and update the fine schedule applicable to minor rule violations related to certain rule violations. 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 purpose of the proposed rule change is to amend Rule 12140 (Imposition of Fines for Minor Rule Violations), which governs the Exchange's MRVP, in connection with certain minor rule violations, applicable fines, as well as other clarifying and nonsubstantive changes to improve the consistency of the Exchange's MRVP with the MRVPs at other options exchanges. Specifically, the proposed rule change amends Rule 12140(d) and (e) by: (1) Adding certain rule violations that the Exchange believes to be minor in nature and consistent with violations at other options exchange; (2) updating the fine schedule applicable to minor rule violations related to certain rule violations; and (3) making other clarifying and nonsubstantive changes.

The MRVP provides that in lieu of commencing a disciplinary proceeding, the Exchange may, subject to the certain requirements set forth in the Rule, impose a fine, not to exceed \$5,000, on any Options Participant, or person associated with or employed by an Options Participant, with respect to any Rule violation listed in Rule 12140(d) or (e) discussed below. Any fine imposed pursuant to this Rule that (i) does not exceed \$2,500 and (ii) is not contested, shall be reported on a periodic basis, except as may otherwise be required by Rule 19d-1 under the Act or by any other regulatory authority. Further, the Rule provides that any person against whom a fine is imposed under the Rule shall be served with a written statement setting forth: (i) The Rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested, which date shall be not less than twenty-five (25) calendar days after the date of service of such written statement. Rule 12140(d) and (e) set forth the list of specific Exchange Rules under which an Options Participant or person associated with or employed by an Options Participant may be subject to a fine for violations of such Rules and the applicable fines that may be imposed by the Exchange. As with all the violations incorporated into its MRVP, the Exchange will proceed under this Rule only for violations that are minor in nature. Any other violation will be addressed pursuant to Rules 12030 (Letters of Consent) or 12040 (Charges).

Exercise Limits

First, the Exchange proposes to amend 12140(d)(1), Position Limits to include violations of Exercise limits pursuant to Rule 3140.³ The Exchange believes that amending Rule 12140(d)(1), Position Limits, to include violations of Exercise Limits pursuant to BOX Rule 3140 is appropriate because it will allow the Exchange to carry out its regulatory responsibility more efficiently and in a manner that is consistent with the way it handles violations of position limits. Violations of position and exercise limits on the Exchange generally occur together, so adding exercise limits to the existing position limits MRV will allow the Exchange to address these related violations more effectively. The Exchange proposes that the fine levels for exercise limit violations match the fine levels for position limits. Under this rule, any Participant who violates Rule 3120 or Rule 3140 regarding position or exercise limits shall be subject to the fines listed below. The Exchange notes that this proposal is consistent with the MRVPs in place at Cboe Exchange, Inc. ("Cboe Options"), NYSE American, LLC ("NYSE American") and NYSE Arca, Inc. ("NYSE Arca").⁴

Number of cumulative violations within any rolling twenty-four month period	Sanction
First Offense	\$500
Second Offense	1,000
Third Offense	2,500
Fourth and Each Subsequent Offense	5,000

Requests for Trade Data

As stated above, the Exchange is proposing to make clarifying and non-substantive changes. As such, the Exchange is proposing to update the language to use "offense" instead of "occurrence" and "rolling" instead of "running" within the fine schedule to provide greater consistency in the terminology used within the Exchange's MRVP and with the MRVPs of the other options exchanges. There is no substantive difference in the Exchange's interpretation between "offense" and "occurrence" and "running" and "rolling." The Exchange is also

³ The Exchange notes that BOX Rule 3140 establishes a limit on the number of option contracts of a single class that an Options Participant can exercise within any five consecutive business days. Exercise limits are fixed by the Exchange pursuant to Rule 3140 and vary by class of options. See BOX Rule 3140.

⁴ See Cboe Options Rule 13.15(g)(1). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(21).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposing to clarify the distinction between offense and violation by updating the terminology to only use the term offense when the listed fines are meant to cover multiple violations. The purpose of these changes is to provide greater clarity within the Exchange's MRVP by using more consistent terminology throughout. As such, the Exchange is proposing to amend Rule 12140(d)(3) Requests for Trade Data pursuant to Rule 10040, to change occurrence to violation within the fine schedule. The Exchange believes this proposed clarifying and non-substantive change is appropriate because it will help clarify this distinction between offense and violation by updating the terminology to only use the term offense when the listed fines are meant to cover multiple violations. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. The Exchange is not proposing to amend the sanctions under this Rule 12140(d)(3). The Exchange proposes to update the fine schedule as follows:

Number of violations within one calendar year	Sanction
2nd Violation	\$500.
3rd Violation	\$1,000.
4th Violation	\$2,500.
Subsequent Violations.	Formal Disciplinary Action.

Quotation Parameters

The Exchange is also proposing to amend Rule 12140(d)(5) Quotation Parameters to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. The Exchange believes that removing the lesser penalty (letter of caution) for the first,

second, and third offenses in order to provide fines for the first, second, and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during one calendar year is appropriate. The Exchange believes this fine structure may serve to deter repeat-offenders more effectively. The Exchange notes this proposed change will bring the sanctions for violations regarding spread parameters or market maker quotations in line with the sanctions imposed by NYSE Arca.⁵

Rule 12140(d)(5) currently permits the Exchange to issue a letter of caution for the first, second, and third occurrence within a one calendar year running basis. For the fourth, fifth, sixth occurrences during a one-year running period, the fine schedule currently permits the Exchange to issue a fine of \$250, \$500, and \$1,000, respectively. The fine schedule also provides that for the seventh occurrence and thereafter, during a one-year running period, the sanction is discretionary with the Hearing Committee. The proposed rule change updates the fine schedule to provide that, on a one-year rolling basis, the Exchange may apply a fine of \$1,000 for a first offense, may apply a fine of \$2,500 for a second offense, may apply a fine of \$3,500 for a third offense, and may proceed with formal disciplinary action for a fourth offense and thereafter.

As described above, the Exchange is proposing to update the language to use "offense" instead of "occurrence" and "rolling" instead of "running" within the fine schedule, as there is no substantive difference in the Exchange's interpretation between "offense" and "occurrence" and "running" and "rolling." The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this proposed amendment, any Participant who violates Rule 8040(a)(7) regarding spread parameters or market maker quotations shall be subject to the fines listed below.

⁵ See NYSE Arca Rule 10.12(k)(i)(41).

Fine schedule (implemented on a one-year rolling basis)	Sanction
1st Offense	\$1,000.
2nd Offense	\$2,500.
3rd Offense	\$3,500.
4th Offense and Thereafter.	Formal Disciplinary Action.

Lead Market Maker Continuous Quoting

Next the Exchange proposes to amend Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Market Makers pursuant to BOX Rule 8050(e) and Rule 8055(c)(1). The Exchange believes that amending Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Market Makers pursuant to BOX Rule 8055(c)(1) is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles continuous quoting violations for all types of Market Makers.⁶

The Exchange is also proposing to increase and strengthen the sanctions imposed under this section, which the Exchange believes will more effectively deter violative conduct. The Exchange notes that this proposed change will bring the sanctions for violations of continuous quoting obligations in line with the sanctions imposed by Cboe Options.⁷ Rule 12140(d)(6) currently permits the Exchange to give a letter of caution for the first violation within one calendar year. For subsequent offenses during the same period, the fine schedule permits the Exchange to issue a fine of \$300 per day. The Exchange proposes to update the fine schedule as follows:

Violations within one calendar year	Sanction
1st Violation	Letter of Caution.
2nd Violation	\$1,500.
3rd Violation	\$3,000.
Subsequent Violations.	Formal Disciplinary Action.

The proposed rule change updates the fine schedule to provide that, during one calendar year, the Exchange may

⁶ The Exchange adopted Rule 7135 (Execution and Pro Rata Priority) to establish and govern pro rate execution on BOX and Rule 8055 (Lead Market Makers) which details the designation and obligations of Lead Market Makers on BOX. Rule 7350(c)(2) details Lead Market Maker Priority and Lead Market Makers may be assigned by the Exchange in each options class in accordance with Rule 8055. The Exchange now proposes to include Lead Market Maker Continuous Quoting in its MRVP. See Securities Exchange Act Release No. 91897 (May 14, 2021), 86 FR 27490 (May 20, 2021) (SR-BOX-2021-11).

⁷ See Cboe Options Rule 13.15(g)(9).

give a letter of caution for a first violation, may apply a fine of \$1,500 for a second violation, may apply a fine of \$3,000 for a third violation, and may proceed with formal disciplinary action for subsequent offenses.⁸ As described above, and as is the case for all rule violations covered under Rule 12140(d) and (e), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP. The Exchange believes that maintaining the lesser penalty (letter of caution) for a first offense and then providing higher fines for second and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during one calendar year is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a smaller fine range for any offenses that may come after a first offense). The Exchange believes this fine structure may serve to deter repeat-offenders while providing reasonable warning for a first offense within one calendar year.

Under this proposed amendment, any Participant who violates Rule 8050(e) or Rule 8055(c)(1) regarding Market Maker or Lead Market Maker continuous quotes shall be subject to the fines listed above. Violations of Rule 8050(e) or Rule 8055(c)(1) that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (6), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker or Lead Market Maker, all violations occurring within the Surveillance Review Period as defined within the Exchange Surveillance Procedures in any of that Market Maker or Lead Market Maker's appointed classes are to be added together. The Exchange notes that Cboe Options, and NYSE Arca have similar rule provisions in their MRVPs addressing Market Maker and Lead Market Maker continuous quoting obligations.⁹

Mandatory Systems Testing

The Exchange is also proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms "and

Thereafter" and "Subsequent" instead of "or more" when detailing the number of violations. There is no substantive difference in the Exchange's interpretation between "or more" and "subsequent" or "and thereafter". The purpose of the change is to provide greater clarity within the Exchange's own MRVP by using more consistent terminology. The Exchange proposes to amend 12140(d)(7), Mandatory Systems Testing pursuant to BOX Rule 3180, to change "or more" to "and thereafter" within the fine schedule. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 3180 regarding the failure to conduct or participate in the testing of computer systems, or failure to provide required reports or maintain required documentation, shall be subject to the fines listed below.

Violations within one calendar year	Sanction
First Violation	\$250.
Second Violation	\$500.
Third Violation	\$1000.
Fourth Violation	\$2000.
Fifth Violation and Thereafter.	Formal Disciplinary Action.

Maintenance, Retention and Furnishing of Books, Records and Other Information

Next, the Exchange proposes to adopt 12140(d)(10), Maintenance, Retention and Furnishing of Books, Records and Other Information pursuant to BOX Rule 10000. Under this rule, any Participant who violates Rule 10000 regarding the failure to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange shall be subject to the fines listed below.

Number of violations within any twenty-four month rolling period	Sanction
Initial Violation	\$500.
Second Violation	\$1,000.

Number of violations within any twenty-four month rolling period	Sanction
Third Violation	\$2,500.
Fourth Violation and Thereafter.	\$5,000 or Formal Disciplinary Action.

The Exchange believes the adoption of Rule 12140(d)(10) into the MRVP is appropriate because it will allow the Exchange to carry out its regulatory responsibility more efficiently and help deter BOX Participants from failing to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange. The Exchange notes that adding this provision will help ensure consistency within the MRVP's of the various options exchanges. NYSE American and NYSE Arca have rule provisions within their respective minor rule violation plans that addresses similar recordkeeping violations.¹⁰ Further, the proposed fine schedule for these types of violations is similar to the recordkeeping sanctions imposed by NYSE American and NYSE Arca.¹¹

Anti-Money Laundering Compliance Program

The Exchange also proposes to adopt 12140(d)(11), Anti-Money Laundering Compliance Program pursuant to BOX Rule 10070. Under this Rule any Participant who violates Rule 10070 regarding the failure to satisfy the anti-money laundering compliance program requirements shall be subject to the fines listed below. The Exchange believes the adoption of Rule 12140(d)(11), is appropriate because it will help deter BOX Participants from failing to satisfy the requirements of the anti-money laundering compliance program. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently with respect to violations of BOX Rule 10070. The Exchange notes that this proposed addition is consistent

¹⁰ NYSE American and NYSE Arca have subsections within their MRVPs listing numerous specific recordkeeping violations. NYSE American Rule 9217 and NYSE Arca Rule 10.12 contain minor rule violations regarding failures to comply with the books and records requirements of Rule 324 and failures to furnish in a timely manner books, records or other requested information or testimony in connection with an examination of financial responsibility and/or operational conditions. See NYSE American Rule 9217(ii). See also NYSE Arca Rule 10.12(k)(iii).

¹¹ The NYSE American and NYSE Arca MRVPs contain numerous recordkeeping minor rule violations with fines ranging from \$500 to \$5,000 depending on the specific violation and the fine level. See NYSE American Rule 9217 (ii). See also NYSE Arca Rule 10.12(k)(iii).

⁸ The Exchange notes that CBOE Options has identical sanctions in place. See Cboe Options Rule 13.15(g)(9).

⁹ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

with the minor rule violations relating to anti-money laundering program failure with the MRVPs at NYSE American and NYSE Arca.¹² Additionally, Cboe Options has a rule provision in its MRVP that addresses violations related to anti-money laundering implementation relating to the failure to designate a person responsible for implementing and monitoring the anti-money laundering compliance program.¹³ The proposed fine schedule provides that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for a first violation and \$2,500 for subsequent violations. The Exchange believes that the proposed sanctions are appropriate, as they will provide sufficient warning to first time offenders, while deterring repeat offenders. These sanctions are identical to the sanctions applied by Cboe Options and similar to the sanctions applied by NYSE American and NYSE Arca for minor rule violations relating to anti-money laundering compliance program violations.¹⁴

Number of violations within any twenty-four month rolling period	Sanction
Initial Violation	\$1,000
Subsequent Violations	2,500

Locked and Crossed Market Violations

The Exchange is proposing to amend current Rule 12140(d)(10)¹⁵ Locked and Crossed Market Violations to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions for violations relating to locked and crossed markets is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. The Exchange notes this proposed change will bring the sanctions for violations regarding spread parameters or market maker

¹² See NYSE American Rule 9217(ii)(12). See also NYSE Arca Rule 10.12(k)(iii)(12).

¹³ See Cboe Options Rule 13.15(g)(13).

¹⁴ Cboe Options applies sanctions of \$1000 for a first offense and \$2500 for subsequent offenses, while NYSE American and NYSE Arca have sanctions of \$2,000 for 1st level, \$4,000 for 2nd level, and \$5,000 for third level. See Cboe Options Rule 13.15(g)(13). See also NYSE American Rule 9217(ii)(12). See also NYSE Arca Rule 10.12(k)(iii)(12).

¹⁵ As discussed below, this proposed rule change subsequently renumbers Rule 12140 (d)(10) to (d)(12) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

quotations more in line with the sanctions imposed by Cboe Options.¹⁶ Rule 12140(d)(10) currently permits the Exchange to issue a letter of caution for an initial violation within a twelve-month rolling period. The current fine schedule also permits the Exchange to apply a fine of \$250 for a second violation, \$500 for a third violation, and formal disciplinary action for the fourth or more violations within a twelve-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twelve-month rolling period, the Exchange may apply a fine of \$500 for an initial violation, may apply a fine of \$2,500 for a second violation, and may apply a fine of \$5,000 or proceed with formal disciplinary action for subsequent violations. Under this proposed amendment, any Participant who violates Rule 15020 regarding procedures to be followed in the instance of a Locked or Crossed Market shall be subject to the fines listed below.

Number of violations within any twelve-month rolling period	Sanction
Initial Violation	\$500.
Second Violation	\$2,500.
Subsequent Violations.	\$5,000 or Formal Disciplinary Action.

Market Maker Assigned Activity Violations

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and Thereafter” and “Subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(11),¹⁷ Market Maker Assigned Activity Violations pursuant to BOX Rule 8030(e), to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they

¹⁶ Cboe Option’s MRVP provides for sanctions of \$500–1,000 for a first offense, \$1,000–2,500 for a second offense, and \$2,500–5,000 and a Staff Interview for subsequent offenses. See Cboe Options Rule 13.15(g)(8).

¹⁷ As discussed below, this proposed rule change subsequently renumbers Rule 12140 (d)(11) to (d)(13) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange’s MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 8030(e) regarding the failure of Market Makers to limit their execution in options classes outside of their appointed classes to twenty-five percent (25%) of the total number of contracts executed during a quarter by such Market Maker, is subject to the fines listed below.

Number of violations within any twelve-month rolling period	Sanction
Initial Violation	Letter of Caution.
Second Violation	\$500.
Third Violation	\$1,000.
Fourth Violation	\$2,500.
Fifth Violation and Thereafter.	Formal Disciplinary Action.

Request for Quote Violations

As detailed above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms “and Thereafter” and “Subsequent” instead of “or more” when detailing the number of violations. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(12),¹⁸ Request for Quote Violations pursuant to BOX Rule 8050(c)(2)–(c)(4), to change “or more” to “and thereafter” within the fine schedule. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the

¹⁸ As discussed below, this proposed rule change subsequently renumbers Rule 12140 (d)(12) to (d)(14) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 8050(c)(2)–(c)(4) regarding the failure of a Market Maker to respond to a Request for Quote ("RFQ") on BOX, is subject to the fines listed below.

Number of violations within any twelve-month rolling period	Sanction
Initial Violation	Letter of Caution.
Second Violation	\$250.
Third Violation	\$500.
Fourth Violation and Thereafter.	Formal Disciplinary Action.

Trade Through Violations

As stated above, the Exchange is proposing to make clarifying and non-substantive changes to amend the language within the fine schedules to use the terms "and Thereafter" and "Subsequent" instead of "or more" when detailing the number of violations. There is no substantive difference in the Exchange's interpretation between "or more" and "subsequent" or "and thereafter". The purpose of the change is to provide greater clarity within the Exchange's MRVP by using more consistent terminology. The Exchange proposes to amend current Rule 12140(d)(13),¹⁹ Trade Through Violations pursuant to BOX Rule 15010, to change "or more" to "and thereafter" within the fine schedule. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges. Under this rule, any Participant who violates Rule 15010(a) regarding trade throughs is subject to the fines listed below.

¹⁹ As discussed below, this proposed rule change subsequently rennumbers Rule 12140 (d)(13) to (d)(15) as a result of the proposed addition of Rules 12140(d)(10), and (d)(11).

Number of violations within any twenty-four month rolling period	Sanction
Initial Violation	\$500.
Second Violation	\$1,000.
Third Violation	\$2,500.
Fourth Violation and Thereafter.	\$5,000 or Formal Disciplinary Action.

Trading Floor Violations Fine Schedules

The Exchange is proposing to update the fine schedules applicable to minor rule violations related to certain Trading Floor violations listed in Rule 12140(e) to increase and strengthen the sanctions. The Exchange adopted the minor rule violations and corresponding fines under Rule 12140(e) in 2017 following the establishment of the BOX Trading Floor.²⁰ In adopting its current trading floor minor rule violations, the Exchange believed it appropriate to adopt a lower fine amount than in place at NYSE Arca as the new trading floor was established and to be more consistent with the other fines within the Exchange's own MRVP. However, the Exchange's Trading Floor is now well-established, with a greater number of Participants, and the Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions more in line with the fine schedules in place at NYSE Arca.²¹

The Exchange is also proposing to update the language within each minor rule violation listed within Rule 12140(e) to use the term "violation" instead of "occurrence" when detailing the number of violations within the fine schedules to provide consistency in the terminology used within the Exchange's MRVP. Within the MRVP, the Exchange interprets violation to mean one instance, while multiple violations may be deemed to constitute one offense. The Exchange believes that changing occurrence to violation in BOX Rule 12140(d)(3) and (e)(1)–(12) is appropriate because it will help clarify this distinction between offense and violation by updating the terminology to only use the term offense when the listed fines are meant to cover multiple

²⁰ See Securities Exchange Act Release No. 81398 (August 15, 2017), 82 FR 39630 (August 21, 2017) (SR–BOX–2017–26).

²¹ See NYSE Arca Rule 10.12.

violations. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges.

General Responsibilities of Floor Brokers. The Exchange is proposing to amend Rule 12140(e)(1), General Responsibilities of Floor Brokers pursuant to BOX Rule 7570, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions in line with the sanctions imposed by NYSE Arca.²² Rule 12140(e)(1) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,500 for a second offense, \$5,000 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Broker who violates Rule 7580(e) regarding the failure to use due diligence when handling an order, to cause the order to be executed at the best price or prices available to him in accordance with the Rules of the Exchange shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.

²² See NYSE Arca Rule 10.12(k)(i)(1).

Number of violations within any rolling 24-month period	Sanction
Second Offense	\$2,500.
Third Offense	\$5,000.
Subsequent Offenses	Formal Disciplinary Action.

Trading Conduct and Order & Decorum on the Trading Floor. The Exchange is also proposing to amend Rule 12140(e)(4) Trading Conduct and Order & Decorum on the Trading Floor pursuant to BOX Rule 2120(b)–(d), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²³ Rule 12140(e)(4) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,000 for a second offense, \$3,500 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule 2120(b)–(d) regarding Trading Floor Conduct and decorum shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.
Second Offense	\$2,000.
Third Offense	\$3,500.
Subsequent Offenses	Formal Disciplinary Action.

Floor Participant Not Available to Reconcile an Uncompared Trade. The Exchange is proposing to amend Rule 12140(e)(6) Floor Participant Not Available to Reconcile an Uncompared Trade pursuant to BOX Rule 8530, to increase and strengthen the sanctions imposed under this section. The

Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²⁴ Rule 12140(e)(6) currently permits the Exchange to apply a fine of \$500 for the first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that the Exchange may apply a fine of \$500 for the first offense, \$1,000 for a second offense, \$2,500 for a third offense, and may proceed with formal disciplinary action for any subsequent offenses within any rolling twenty-four-month period. Under this proposed amendment, any Floor Participant who violates Rule 8530 regarding the resolution of uncompared trades shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$500.
Second Offense	\$1,000.
Third Offense	\$2,500.
Subsequent Offenses	Formal Disciplinary Action.

Floor Participant Communications and Equipment. The Exchange is also proposing to amend Rule 12140(e)(7) Floor Participant Communications and Equipment pursuant to BOX Rule 7660, to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change brings these sanctions in line with the sanctions imposed by NYSE Arca.²⁵ Rule 12140(e)(7) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a

second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any twenty-four-month rolling period. The proposed rule change updates the fine schedule to provide that, within any twenty-four-month rolling period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,500 for a second offense, and \$3,500 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.
Second Offense	\$2,500.
Third Offense	\$3,500.
Subsequent Offenses	Formal Disciplinary Action.

Improper Vocalization of a Trade. The Exchange is also proposing to amend Rule 12140(e)(8) Improper Vocalization of a Trade pursuant to BOX Rule 100(b)(5), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁶ Rule 12140(e)(8) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,500 for a second offense, \$3,500 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule 100(b)(5) regarding the requirements for public

²³ See NYSE Arca Rule 10.12(k)(i)(16).

²⁴ See NYSE Arca Rule 10.12(k)(i)(9).

²⁵ See NYSE Arca Rule 10.12(k)(i)(12).

²⁶ See NYSE Arca Rule 10.12(k)(i)(14).

outcry shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.
Second Offense	\$2,500.
Third Offense	\$3,500.
Subsequent Offenses	Formal Disciplinary Action.

Floor Market Maker Failure to Comply with Quotation Requirements. The Exchange is also proposing to amend Rule 12140(e)(9) Floor Market Maker Failure to Comply with Quotation Requirements pursuant to BOX Rule 8510(c)(2), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁷ Rule 12140(e)(9) currently permits the Exchange to apply a fine of \$250 for the first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,500 for a second offense, and \$3,500 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule 8510(c)(2) regarding a Floor Market Maker's Obligation of Continuous Open Outcry Quoting shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.
Second Offense	\$2,500.
Third Offense	\$3,500.
Subsequent Offenses	Formal Disciplinary Action.

Floor Market Maker Quote Spread Parameters. The Exchange is also

proposing to amend Rule 12140(e)(10) Floor Market Maker Quote Spread Parameters pursuant to BOX Rule 8510(d)(1), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁸ Rule 12140(e)(10) currently permits the Exchange to give a letter of caution for a first occurrence, apply a fine of \$250 for a second occurrence, apply a fine of \$500 for a third occurrence, and proceed with formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,500 for a second offense, \$3,500 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule 8510(d)(1) regarding legal bid/ask differential requirements shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.
Second Offense	\$2,500.
Third Offense	\$3,500.
Subsequent Offenses	Formal Disciplinary Action.

Floor Broker Failure to Honor the Priority of Bids and Offers. The Exchange is also proposing to amend Rule 12140(e)(11) Floor Broker Failure to Honor the Priority of Bids and Offers pursuant to BOX Rule 7610(d), to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to

more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.²⁹ Rule 12140(e)(11) currently permits the Exchange to apply a fine of \$500 for a first occurrence, \$1,000 for a second occurrence, \$2,000 for a third occurrence, and may proceed with formal disciplinary action for subsequent occurrences within any rolling twenty-four-month period. The proposed rule change updates the fine schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$1,000 for the first offense, \$2,500 for a second offense, \$5,000 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$1,000.
Second Offense	\$2,500.
Third Offense	\$5,000.
Subsequent Offenses	Formal Disciplinary Action.

Floor Broker Failure to Identify a Broker Dealer Order. The Exchange is also proposing to amend Rule 12140(e)(12) Floor Broker Failure to Identify a Broker Dealer Order pursuant to BOX Rule IM-7580-2 to increase and strengthen the sanctions imposed under this section. The Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring these sanctions in line with the sanctions imposed by NYSE Arca.³⁰ Rule 12140(e)(12) currently permits the Exchange to apply a fine of \$250 for a first occurrence, \$500 for a second occurrence, \$1,000 for a third occurrence, and may proceed with formal disciplinary action for subsequent offenses within any rolling twenty-four-month period. The proposed rule change updates the fine

²⁷ See NYSE Arca Rule 10.12(k)(i)(39).

²⁸ See NYSE Arca Rule 10.12(k)(i)(41).

²⁹ See NYSE Arca Rule 10.12(k)(i)(40).

³⁰ See NYSE Arca Rule 10.12(k)(i)(11).

schedule to provide that, within any rolling twenty-four-month period, the Exchange may apply a fine of \$500 for the first offense, \$1,500 for a second offense, \$3,000 for a third offense, and formal disciplinary action for subsequent offenses. Under this proposed amendment, any Floor Participant who violates Rule IM-7580-2 regarding a Floor Broker's responsibility to identify its orders shall be subject to the fines listed below.

Number of violations within any rolling 24-month period	Sanction
First Offense	\$500.
Second Offense	\$1,500.
Third Offense	\$3,000.
Subsequent Offenses	Formal Disciplinary Action.

The Exchange believes Exercise Limits (Rule 3140), Lead Market Maker Continuous Quoting (Rule 8050(e)), Maintenance, Retention, and Furnishing of Books, Records, and Other Information (Rule 10000), and Anti-Money Laundering Compliance Program (Rule 10070) to be minor in nature and consistent with violations at other options exchanges, and therefore proposes to add them to the list of rules in Rule 12140(d) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of the rules listed above are suitable for incorporation into the MRVP because these violations are minor in nature and consistent with violations at other options exchange. The Exchange notes that the proposed change is intended to provide for greater consistency across the Exchange's MRVP and the MRVPs of the other options exchanges. As detailed above, the Exchange is also proposing to increase and strengthen the fines for certain minor rule violations under Rule 12140. The Exchange believes that the proposed increased fines will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Specifically, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue greater fines and more effectively deter violative conduct.

The Exchange is also proposing to make additional technical and nonsubstantive changes to provide greater clarity and consistency within the Exchange's MRVP and with the MRVPs of the other options exchanges.

As a result of the proposed addition of Rules 12140(d)(10) and (d)(11) above, the proposed rule change subsequently renumbers current Rules 12140(d)(10), (11), (12), (13), and (14), to Rules 12140(d)(12), (13), (14), (15), and (16), respectively. The Exchange is also proposing to amend the language within the fine schedules to use the terms "and Thereafter" and "Subsequent" instead of "or more" when detailing the number of violations. The Exchange proposes to update or more to and thereafter in Rule 12140(d)(5) and (12),³¹ and or more to subsequent in Rules 12140(d)(7), and (13)–(15).³² There is no substantive difference in the Exchange's interpretation between or more and subsequent or and thereafter. The purpose of the change is to provide greater clarity within the Exchange's MRVP by using more consistent terminology. The Exchange believes these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in the administration of the MRVP. The Exchange notes that the proposed change is intended to provide for greater consistency within the Exchange's MRVP itself and with the MRVPs of the other options exchanges.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁴ requirements that the rules of an exchange be 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 regulating, clearing, settling, processing information with respect to, and 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. The Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁵ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange further believes that the proposed rule changes to Rule 12140(d) are consistent with Section 6(b)(6) of the Act,³⁶ which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As noted, the proposed rule change adds certain rules as eligible for a minor rule fine disposition under the Exchange's MRVP. The Exchange believes that violations of these proposed rules are minor in nature and will be more appropriately disciplined through the Exchange's MRVP and is proposing to amend the fine schedules applicable to these additional rules to appropriately sanctions such failures.

The Exchange also believes that the proposed change is designed to provide a fair procedure for the disciplining of members and persons associated with members, consistent with Sections 6(b)(7) and 6(d) of the Act.³⁷ Rule 12140, currently and as amended, does not preclude a Participant or person associated with or employed by a Participant from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding. Finally, the Exchange believes that the proposed rule change will strengthen its ability to carry out its oversight responsibilities as a self-regulatory organization pursuant to the Act and reinforce its surveillance and enforcement functions.

The Exchange believes that the proposed rule change to add certain rules as eligible for a minor rule fine disposition under its MRVP, which it considers violations of such rules to be minor in nature and consistent with violations at other options exchange, will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will

³¹ As noted above, this is current Rule 12140(d)(10), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³² As previously noted, these are current Rule 12140(d)(11)–(13), but the Exchange is proposing to renumber certain subsections under 12140(d) due to the proposed addition of Rule 12140(d)(10) and (11).

³³ 15 U.S.C. 78f(b).

³⁴ 15 U.S.C. 78f(b)(5).

³⁵ *Id.*

³⁶ 15 U.S.C. 78f(b)(6).

³⁷ 15 U.S.C. 78f(b)(7) and 78f(d).

serve to 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. The Exchange believes violations of the above-listed rules to be minor in nature and therefore proposes to add them to the list of rules in Rule 12140(d) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of the rules listed above are suitable for incorporation into the MRVP because these violations are generally minor in nature and consistent with violations at other options exchange. Further, the Exchange will be able to carry out its regulatory responsibility more quickly and efficiently by incorporating these violations into the MRVP.

Specifically, the Exchange believes the adoption of Rule 12140(d)(10) Maintenance, Retention and Furnishing of Books, Records and Other Information pursuant to BOX Rule 10000 is appropriate because it will help deter BOX Participants from failing to make, keep current, and preserve such books and records as required, or failure to furnish such books and records in a timely manner upon request by the Exchange. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently. The Exchange believes that the lesser penalty of \$500 for an initial violation and then providing higher fines for second and third violations and the option of a fine of \$5000 or formal disciplinary proceedings for a fourth violation and thereafter during a rolling twenty-four-month period is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders. The Exchange believes this fine structure may serve to deter repeat-offenders while providing a reasonable penalty for a first offense within a rolling twenty-four-month period. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10000.

The Exchange believes the adoption of Rule 12140(d)(11), Anti-Money Laundering Compliance Program pursuant to BOX Rule 10070 is appropriate because it will help deter BOX Participants from failing to satisfy the requirements of the anti-money laundering compliance program. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility

more quickly and efficiently in regard to violations of BOX Rule 10070. The Exchange believes that the proposed fine structure permitting the Exchange to apply a fine of \$1,000 for a first violation and \$2,500 for subsequent violations is appropriate as this will effectively penalize both first time and repeat offenders. The Exchange believes that the proposed fines will be sufficient to warn against and help deter potentially violative conduct. The Exchange believes that adding this rule to the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 10070.

The Exchange believes that amending Rule 12140(d)(6), Continuous Quotes to include continuous quoting violations by Lead Marker Makers pursuant to BOX Rule 8055(c)(1) is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles Market Maker continuous quoting violations. The Exchange notes that Cboe Options, and NYSE Arca have rule provisions in their minor rule violation plans that address Market Maker and Lead Market Maker continuous quoting obligations.³⁸ Rule 12140(d)(6) currently permits the Exchange to give a letter of caution for the first violation within one calendar year. For subsequent offenses during the same period, the fine schedule permits the Exchange to issue a fine of \$300 per day. The proposed rule change increases and strengthens the fine schedule to provide that, during one calendar year, the Exchange may give a letter of caution for a first violation, may apply a fine of \$1,500 for a second violation, may apply a fine of \$3,000 for a third violation, and may proceed with formal disciplinary action for subsequent offenses. The Exchange believes that maintaining the lesser penalty (letter of caution) for a first offense and then providing higher fines for second and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during one calendar year is appropriate. This will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a fine range for any offenses that may come after a first offense). The Exchange believes this fine structure may serve to deter repeat-offenders while providing reasonable warning for a first offense within one calendar year. The Exchange notes that the proposed

fines will bring the sanctions for violations of continuous quoting obligations in line with the sanctions currently imposed by Cboe Options.³⁹

The Exchange believes that adding Lead Market Maker Continuous Quoting to Rule 12140(d)(6) within the MRVP will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently in regard to violations of BOX Rule 8055(c)(1). The Exchange notes that the proposed change will also provide for greater consistency across the Exchange's MRVP and the MRVPs of the other options exchanges. The Exchange believes violations of these rules to be minor in nature and would be more appropriately disciplined through the Exchange's MRVP. As described above, and as is the case for all rule violations covered under Rule 12140(d) and (e), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP.

The Exchange believes that amending Rule 12140(d)(1), Position Limits, to include violations of exercise limits pursuant to BOX Rule 3140 is appropriate because it will allow the Exchange to carry out its regulatory responsibility quickly and efficiently in a manner that is consistent with the way it handles violations of position limits. Violations of position and exercise limits on the Exchange generally occur contemporaneously, so adding exercise limits to the existing position limits minor rule violation will allow the Exchange to address these related violations more effectively. The Exchange is proposing to keep the fine levels for exercise limit violations the same as the current fine levels for position limits. The Exchange notes that this proposal is consistent with the MRVPs in place at Cboe Options, NYSE American, and NYSE Arca.⁴⁰

The Exchange believes that increasing and strengthening the sanctions in Rule 12140(d)(5) and (12) is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing these sanctions will allow the Exchange to provide more appropriate punishments and more effectively deter violations of this nature. As such, the Exchange believes that this will assist the Exchange in preventing fraudulent and manipulative

³⁹ See Cboe Options Rule 13.15(g)(9).

³⁸ See Cboe Options Rule 13.15(g)(9). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(39).

⁴⁰ See Cboe Options Rule 13.15(g)(1). See also NYSE American Rule 9217(iii)(17). See also NYSE Arca Rule 10.12(k)(i)(21).

acts and practices and promoting just and equitable principles of trade and will serve to 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.

The Exchange believes that the proposed rule change to adopt Rule 12140(d)(10) and (11), and amend Rule 12140(d)(1), (5), (6), (10), (12), (13), and (14) will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade and will serve to 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. The Exchange notes that the proposed updates to the minor rule violations and subsequent sanctions will bring them more in line with the MRVPs in place at NYSE American, NYSE Arca, and Cboe Options, will promote greater consistency across the options exchanges and reduce investor confusion.

The Exchange believes that the proposed technical and clarifying changes are appropriate and benefit investors by adding clarity to the rules. The Exchange believes that the proposed rule change to renumber current Rules 12140(d)(10), (11), (12), (13), and (14), to Rules 12140(d)(12), (13), (14), (15), and (16), respectively, will benefit investors by adding clarity to the rules. The Exchange believes that updating the language to use “offense” instead of “occurrence” and “rolling” instead of “running” within the fine schedule is appropriate will provide greater consistency in the terminology used within the Exchange’s MRVP and with the MRVPs of the other options exchanges. There is no substantive difference in the Exchange’s interpretation between offense and occurrence and running and rolling. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology throughout. The Exchange also believes that amending the language within the fine schedules to use the terms “and Thereafter” and “Subsequent” instead of “or more” when detailing the number of violations will provide more clarity and may reduce investor confusion. There is no substantive difference in the Exchange’s interpretation between “or more” and “subsequent” or “and thereafter”. The purpose of the change is to provide greater clarity within the Exchange’s MRVP by using more consistent terminology. The Exchange believes

these technical and nonsubstantive changes are reasonable and appropriate because they will increase readability of the MRVP and help prevent investor confusion. Further, these proposed changes will allow the Exchange to carry out its regulatory responsibility more quickly and efficiently by reducing confusion regarding terminology in its administration of the MRVP. The Exchange notes that the proposed change will also provide for greater consistency between the Exchange’s MRVP and the MRVPs of the other options exchanges, which is designed to benefit investors by providing more consistent language among the various options exchanges.

The Exchange believes that the proposed rule change to update the fine schedule and language applicable to minor rule violations related to certain Trading Floor violations listed in Rule 12140(e) to increase the sanctions will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to 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. Particularly, the Exchange believes that updating the fine schedule applicable to minor rule violations related to certain Trading Floor violations does not directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protection. The Exchange adopted the minor rule violations and corresponding fines under Rule 12140(e) in 2017 following the establishment of the BOX Trading Floor.⁴¹ In 2017, the Exchange believed it appropriate to adopt lower fine amounts as the new trading floor was established and to be more consistent with the other fines listed within the Exchange’s MRVP. However, the Exchange’s Trading Floor is now well-established, and the Exchange believes that increasing and strengthening these sanctions is appropriate to prevent participants from trading on BOX in order to get lower fines for violative conduct. The Exchange believes that increasing certain trading floor related sanctions to be more consistent with the other options exchanges will allow the Exchange to more effectively deter trading floor violations. The Exchange notes that this proposed change will bring the sanctions more in line with the fine schedules at NYSE Arca.⁴² As such, the proposed rule change is also

designed to benefit investors by providing more consistent penalties across the MRVPs of the Exchange and another exchange.

The Exchange believes that updating the language within certain minor rule violation listed within Rule 12140 to use the term “violation” instead of “occurrence” when detailing the number of violations within the fine schedules will provide greater clarity and consistency in the terminology used within the Exchange’s MRVP. Within the MRVP, the Exchange interprets violation to mean one instance and multiple violations may be deemed to constitute one offense. The Exchange believes that changing offense to violation in BOX Rule 12140(d)(3) and (e)(1)–(12) is appropriate because it will help clarify this distinction between offense and violation by updating the language in the MRVP to only use the term offense when the listed fines cover multiple violations grouped together. The Exchange also believes that the proposed technical changes to renumber and update the language in certain minor rule violations would not be inconsistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from increased clarity and transparency, thereby reducing potential confusion.

In requesting the proposed additions to BOX Rule 12140(d), the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. Minor rule fines provide a meaningful sanction for minor or technical violations of rules when the conduct at issue does not warrant stronger, immediately reportable disciplinary sanctions. The inclusion of a rule in the Exchange’s MRVP does not minimize the importance of compliance with the rule, nor does it preclude the Exchange from choosing to pursue violations of eligible rules through a Letter of Consent if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the Exchange believes that the proposed rule change will strengthen the Exchange’s ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Rather, the option to impose a minor rule sanction gives the Exchange additional flexibility to administer its enforcement program in the most effective and efficient manner while still fully meeting the Exchange’s remedial objectives in addressing violative

⁴¹ See *supra* note 14.

⁴² See NYSE Arca Rule 10.12.

conduct. Specifically, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations relating to the Anti-Money Laundering Compliance Program (Rule 10070), Lead Market Maker Continuous Quoting (Rule 8055), Exercise Limits (Rule 3140), and Maintenance, Retention and Furnishing of Books, Records and Other Information (Rule 10000) where a more formal disciplinary action may not be warranted or 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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended to address competitive issues but rather is concerned solely with updating its MRVP in connection with rules eligible for a minor rule fine disposition. The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. The Exchange notes that the proposed additional violations are similar to minor rule violations designated in the MRVPs on other options exchanges.⁴³

The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct. Further, the proposal relates to the Exchange's role and responsibilities as a self-regulatory organization and the manner in which it disciplines its Participants and associated persons for violations of its rules. 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 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. Please include File Number SR-BOX-2022-08 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-2022-08. 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-2022-08, and should be submitted on or before April 21, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁴

J. Matthew DeLesDernier,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-94730; File No. SR-IEX-2022-03]

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt on a Permanent Basis the Pilot Program for Market-Wide Circuit Breakers

April 15, 2022.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 (the "Act") ² and Rule 19b-4 thereunder,³ notice is hereby given that, on April 15, 2022, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

⁴³ Cboe Options, NYSE American, and NYSE Arca have rule provisions in their minor rule violation plans that address exercise limits and market maker continuous quoting obligations. NYSE Arca and Cboe Options have rule provisions in their MRVPs that address failures related to AML Program Implementation. Additionally, NYSE Arca has rule provisions in its MRVP that address various recordkeeping violations. See Cboe Options Rule 13.15(g). See also NYSE American Rule 9217. See also NYSE Arca Rule 10.12.

⁴⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.