

Per firm	\$250
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c. Back Office Trade Management Software ("TMS")

TMS is optional software which BOX Participants may subscribe to in order to manage their BOX trades prior to their transmission by BOX to OCC.

Monthly Per User Within the Same BOX Participant (applicable only after launch)

Users 1 to 5	\$300
Users 6 to 10	\$250
Users 11 and up	\$200

d. Testing/Support for Third Party Service Providers

Third Party Service Providers, generally either Independent Software Vendors ("ISVs") who provide "front end" trading software systems or service bureaus which provide and operate order routing systems for broker dealers, may connect to the BOX Trading Host test platform. This is necessary both to establish initial compatibility of their software as well as to maintain this connectivity as the BOX Trading Host implements upgrades and evolutions. This fee is charged directly to the Third Party Service Provider, not the Options Participant, and is not charged to BOX Participants who connect their proprietary software systems to the BOX Trading Host.

One Time (not applicable for providers connected prior to launch)

Connection setup	\$10,000
Disconnection	\$500

Monthly (applicable only after launch)

Maintenance Fee	\$500
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Sec. 6. Compliance Examination Assessment

Monthly

Firms for which BOX assumes examination responsibilities	\$1,500
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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

In conjunction with the anticipated launch of the proposed BOX, the BSE is proposing fees related to the BOX market. The fees would apply to the following three constituents in the BOX market:

- Public Customers,³
- broker-dealers, and
- Market Makers.⁴

The BSE believes that the fees for each of these constituents, in combination with unfettered access to the BOX market for Market Makers and broker-dealers, would establish a low cost structure that would attract order flow to BOX and would promote competitive pricing.

a. Public Customers

Orders on behalf of Public Customers would not be subject to a trading fee. Also, the BSE notes that in keeping with the Exchange's flat and open philosophy for BOX, BOX Options Participants⁵ who act as agents on behalf of Public Customers (i.e. Order Flow Providers ("OFP"))⁶ would not have to pay seat, lease, or access fees. BSE believes some of this cost savings would be passed on to Public Customers in the form of price improvement. In fact, the BSE believes that the only cost to an Options Participant, acting solely as agent for orders on behalf of Public Customers, would be, in most cases, the Point of Presence Connection Fee.

b. Broker Dealer Proprietary Accounts

As a base trading fee, executions on behalf of broker-dealer proprietary accounts would be charged a \$0.20 per contract trade execution fee or a \$0.40

³ A Public Customer is a person that is not a broker or dealer in securities.

⁴ A Market Maker is a firm or organization that is registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of the proposed BOX Rules.

⁵ The term "Options Participant" or "Participant" means a firm, or organization that is registered with the Exchange for purposes of participating in options trading on BOX as an "Order Flow Provider" or "Market Maker."

⁶ The terms "Order Flow Provider" or "OFP" mean those Options Participants representing as agent Customer Orders on BOX and those non-Market Maker Participants conducting proprietary trading.

fee for executions which result from the NBBO filter process. In addition to the base trading fee, executions on behalf of broker-dealer proprietary accounts would be charged any passed through licensing fees for Exchange-Traded funds ("ETF"), if applicable.⁷ These fees would be competitive with other electronic exchanges and would be significantly lower than the fees charged for orders executed through the auto-execution systems of the floor based exchanges.⁸ Additionally, unlike most options exchanges, there would be no Payment-for-Order-Flow or marketing surcharges.

As noted above, there would be a \$0.40 per contract fee for the execution against the exposure of an order which BOX's automatic trading system ("Trading Host") filters against trading through the national best bid or offer ("NBBO"), pursuant to the NBBO filter procedures set forth in Chapter V, Section 16(b) of the proposed BOX Rules. The Exchange would be levying this fee to broker-dealers for the costs of providing a service, the NBBO filter process, which would not be offered on any other options exchange. The BSE notes that the services provided by other options exchanges, such as "step-up-and-match" capabilities (which the BSE believes fall short of BOX's NBBO filter process) are not available to broker-dealers.

c. Market Makers

As a base trading fee, Market Makers would be charged a \$0.20 per contract trade execution fee for both assigned and unassigned classes or \$0.40 for executions which result from the NBBO filter process. In addition to the base trading fee, Market Makers would be charged any passed through licensing fees for ETF, if applicable. As discussed below, a Market Maker would be charged a higher fee if the Market Maker does not meet certain minimum trade volume thresholds. In addition, a Market Maker would receive a discount if other trade volume thresholds are exceeded.

⁷ \$0.10 per contract for options on Nasdaq 100 ("QQQ") is the only surcharge on ETFs that would be applicable upon BOX's launch.

⁸ For example, the International Securities Exchange ("ISE") charges a non-public customer (a broker-dealer) a \$0.12-\$0.21 (depending on ISE A.D.V.) per contract execution fee plus a \$0.03 comparison fee. The Chicago Board Options Exchange ("CBOE") charges a non-public customer for an equity option RAES execution a \$0.30 RAES fee + \$0.20 transaction fee + \$0.05 trade match fee for a total fee of \$0.55. BOX would charge a non-public customer a \$0.20 per contract trading fee or a \$0.40 per contract trading fee for executions resulting from the NBBO filter process, as set forth in Chapter V, Section 16(b) of the proposed BOX Rules. See Section 2 of the BOX Fee Schedule.