

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81398; File No. SR-BOX-2017-26]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt Rule 2120 (Trading Conduct and Order & Decorum on the Trading Floor) and Amend Rule 12140 (Imposition of Fines for Minor Rule Violations) To Adopt Rule Violations and Sanctions Applicable to the Trading Floor

August 15, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder, <sup>2</sup> notice is hereby given that on August 9, 2017, BOX Options Exchange LLC (“BOX” or the “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 Substance of the Proposed Rule Change

The Exchange proposes to adopt Rule 2120, Trading Conduct and Order & Decorum on the Trading Floor, to enable the Exchange to enforce compliance with the Trading Conduct and Order & Decorum rules and amend Rule 12140 (Imposition of Fines for Minor Rule Violations) to adopt violations and sanctions applicable to the Trading Floor. 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 Web site at <http://boxexchange.com>.

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

In its filing with the Commission, the 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The purpose of the proposed rule change is to (i) adopt Rule 2120 to enable the Exchange to establish and enforce compliance with trading conduct and order and decorum on the trading floor; and (ii) amend Rule 12140 to adopt rule violations and sanctions applicable to the Trading Floor <sup>3</sup> under the Exchange’s Minor Rule Violation Plan (“MRVP”). The Exchange proposes these rules in conjunction with the approval of BOX’s recent filing to adopt rules for an open outcry Trading Floor. <sup>4</sup>

##### Proposed Rule 2120

First, the Exchange proposes to adopt Rule 2120 which governs trading conduct and order & decorum on the Trading Floor. The Exchange proposes that Rule 2120(a) states [sic] that upon the determination of an Options Exchange Official that a Floor Participant’s conduct on the Trading Floor of the Exchange is such that it violates the provisions of (b) through (d) discussed below, impairs the maintenance of a fair and orderly market, or impairs public confidence in the operations of the Exchange, a Floor Participant of the Exchange may be fined pursuant to the Bylaws and Rules of the Exchange. This shall also apply to a Floor Participant’s failure to adequately supervise an employee to ensure his compliance with this rule. A Floor Participant adversely affected by a determination made under this Section may obtain review thereof in accordance with the provisions of the Rule 12000 Series. Fines imposed by an Options Exchange Official hereunder shall not preclude further disciplinary action by the Exchange pursuant to the Bylaws and Rules of the Exchange. The

<sup>3</sup> The term “Trading Floor” or “Options Floor” means the physical trading floor of the Exchange located in Chicago. The Trading Floor shall consist of at least one “Crowd Area” or “Pit”. A Crowd Area or Pit shall be marked with specific visible boundaries on the Trading Floor, as determined by the Exchange. All series for a particular option class will be allocated to the same Crowd Area. A Floor Broker must open outcry an order in the corresponding Crowd Area. See BOX Rule 100(a)(67).

<sup>4</sup> See Securities Exchange Release No. 81292 (August 2, 2017), 82 FR 37144 (August 8, 2017) (Order Approving SR-BOX-2016-48 as modified by Amendment Nos. 1 and 2).

Exchange notes that this rule is based on the rules of NYSE Arca (“Arca”). <sup>5</sup>

Next, the Exchange proposes Rule 2120(b) which governs the Standards of Dress and Conduct. The Exchange proposes that all Floor Participants are required to act in a manner consistent with a fair and orderly market and with the maintenance of public confidence in the Exchange. Accordingly, the Exchange proposes appropriate standards pertaining to dress and conduct on the Trading Floor. Proposed Rule 2120(b)(1) details the Standards of Dress on the Trading Floor. Specifically, all persons on the Trading Floor, whether Floor Participants, employees of Floor Participants or visitors, shall at all times, whether prior to, during or after trading sessions, be dressed in a manner appropriate for business purposes and in accordance with good taste and professional standards. The term “good taste” shall be interpreted in a conservative manner. The Exchange may impose additional standards of dress or otherwise modify these standards of dress by means of a written policy that will be distributed to Floor Participants. The Exchange again notes that this provision is based on the rules of Arca. <sup>6</sup>

Next, the Exchange proposes to adopt 2120(b)(2) which governs the Standard of Conduct on the Trading Floor. Specifically, all persons on the Trading Floor are required to conduct themselves in accordance with a seemly and professional standard of behavior. Further, no person while on the Trading Floor shall: (i) Engage in any act or practice that may be detrimental to the interest or welfare of the Exchange; or (ii) engage in any act or practice that may serve to disrupt or hinder the ordinary and efficient conduct of business; or (iii) engage in any act or practice that may serve to jeopardize the safety or welfare of any other individual; or (iv) act in a disorderly manner, which includes, but is not limited to, the use of abusive or indecorous language. Further, with regard to the Standards of Conduct provision, the Exchange further proposes that (i) the entry of food or drink may be permitted at the discretion of the Exchange and that alcoholic beverages may not be consumed on the Trading Floor at any time; (ii) Smoking

<sup>5</sup> See NYSE Arca Rule 6.2(b). There are no substantive differences between proposed Rule 2120(a) and Arca Rule 6.2(b).

<sup>6</sup> See NYSE Arca Rule 6.2(c). The Exchange notes that it is not copying NYSE Arca Rule 6.2(c)(1)(A–D), as the Exchange believes that the listed dress code requirements and restrictions are unnecessary. The Exchange believes the language in proposed Rule 2120(b)(1) is sufficient.

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

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

in any form, any kind of tobacco use, or any expectorating on the Trading Floor, is prohibited;<sup>7</sup> (iii) Running on the Trading Floor, which shall mean any movement at a degree of speed which may disrupt other occupants of the Trading Floor, is prohibited; (iv) Standing on chairs, furniture, booths, ladders, stools and similar items is prohibited; and (v) No object of any kind may be placed in the Pit if it could obstruct the flow of people in or out of the Pit. This includes all chairs, stools or other furniture. The Exchange notes that these proposed provisions are based on the rules of Arca.<sup>8</sup>

Next, the Exchange proposes Rule 2120(c)(1) which governs Trading Floor Badges, Admission By Badge Only. Specifically, the Exchange proposes that admission to the Trading Floor will be by badge only except in the case of certain designated Options Exchange Officials. While on the Trading Floor, all persons must at all times display appropriate badges. All Trading Floor employees seeking admission to the Trading Floor without a badge must be identified by the Options Exchange Official or representative thereof and supplied with a temporary badge. Non-Floor Participant employees of Floor Participants seeking admission without a badge must be identified by a Floor Participant and supplied with a temporary badge, and the Floor Participant may be subject to a fine in the event of continual failure of its employees to have appropriate badges. The Exchange notes that this proposed rule is based on the rules of Arca.<sup>9</sup>

The Exchange then proposes Rule 2120(c)(2) which governs the Withdrawal of Trading Floor Badges. Specifically, the Exchange proposes that in the event that any Floor Participant's Letter of Guarantee is revoked by a Clearing Participant in accordance with the procedures stated in Rule 8070, such Floor Participant will not be entitled to enter into transactions on the Trading Floor until and unless a new Letter of Guarantee has been issued to such Floor Participant by a Clearing Participant. Accordingly, the Exchange will withdraw promptly the Trading Floor badge of any Floor Participant whose Letter of Guarantee has been properly revoked, and will retain such badge under its control until the Floor Participant is subsequently covered by a

Letter of Guarantee. A Floor Participant whose badge has been withdrawn under this Rule may, so long as his Floor Participant status continues, gain access to the Trading Floor by means of his Floor Participant identification pass, but may not enter into any transactions thereon. The Exchange notes that this proposed rule is based on the rules of Arca.<sup>10</sup>

Next, the Exchange proposes Rule 2120(d) which details the rules and regulations regarding visitors on the Trading Floor. Specifically, the Exchange proposes that (1) Visitors must be the invited guests of a Floor Participant or of certain designated members of the Exchange staff. Other non-Floor Participant employees are not permitted to invite visitors to the Trading Floor; (2) Visitors must be signed in by the inviting Floor Participant or staff personnel, and wear a visitors badge at all times when on the Trading Floor. The inviting Floor Participant will be responsible for the visitor's conduct on the Trading Floor and for the return of badges and must accompany such visitors at all times while they are on the Trading Floor; (3) Visitors may not enter the Crowd Area, block passageways, or otherwise disrupt or impair activity on the Trading Floor; (4) Persons associated with Floor Participants may visit the Floor only upon an invitation under the terms of subsection (1), above; (5) The Exchange may restrict visiting on the Trading Floor in any manner at any time when the Exchange deems that the presence of some or all visitors may interfere with orderly Trading Floor procedures. The Exchange notes that this rule is based on the rules of Arca.<sup>11</sup>

<sup>10</sup> See Arca Rule 6.2(d)(2). The Exchange notes that there are no substantive differences between proposed Rule 2120(c)(2) and Arca Rule 6.2(d)(2).

<sup>11</sup> See Arca Rule 6.2(e). The Exchange notes a few minor differences between the proposed rules regarding visitors on the BOX Trading Floor and those rules of Arca. First, the Exchange did not copy any reference to an "OTP Firm floor manager," as such managers or their equivalent are not present on the BOX Trading Floor. Second, the Exchange notes that there is a small difference between proposed Rule 2120(d)(5) and Arca Rule 6.2(e)(6). The Exchange proposes to allow the Exchange to restrict visiting on the Trading Floor in any manner at any time while Arca gives this authority to the Options Floor Manager. The Exchange notes that it did not copy this language as an Options Floor Manager or its equivalent does not exist on the BOX Trading Floor. Third, the Exchange notes that it did not copy Arca Rules 6.2(e)(4) and (7), as these rules do not apply to the BOX Trading Floor. While all visitors are allowed on the BOX Trading Floor, they must be invited by the Exchange or a Floor Participant. See proposed Rule 2120(d)(1). Arca Rule 6.2(e)(4) allows OTP Holders and OTP Firms who are not normally engaged on the Options Trading Floor to visit without an invitation. The Exchange believes that this distinction is unnecessary as all visitors to the

Next, the Exchange proposes Rule 2120(e) which details Exclusion from the Trading Floor. Specifically, the Exchange proposes Rule 2120(e)(1) which states that an Options Exchange Official or an officer of the Exchange may exclude a Participant and any associated person of the Participant from the Trading Floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the Trading Floor or on the premises immediately adjacent to the Trading Floor. Specifically, Participants shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Participants so excluded may be excluded for a period of up to five business days. The Exchange notes that this rule is based on the rules of PHLX.<sup>12</sup>

Additionally, the Exchange proposes Rule 2120(e)(2). Specifically, the Exchange proposes that if a Participant shall be excluded for a period exceeding forty-eight (48) hours, an expedited hearing ("Expedited Hearing") will be held before the Chair of the Hearing Committee or his or her designee ("Expedited Hearing Officer") within forty-eight (48) business hours after the Participant's exclusion from the Trading Floor. Written notice will be provided to the Participant of the date, time and place of the hearing. The Participant may be represented by counsel. The Expedited Hearing Officer shall conduct an Expedited Hearing. The Expedited Hearing Officer shall allow both the Participant or his or her representative and Exchange staff to present arguments. The Expedited Hearing Officer shall make a determination of whether to continue the Participant's exclusion from the Trading Floor for a period of up to five (5) business days. The determination shall be based on the severity of the threat posed to persons on the Trading Floor, the disruptiveness caused by the actor and the safety and welfare of persons on the Trading Floor.

BOX Trading Floor must be invited by a Floor Participant or a member of the Exchange staff pursuant to proposed Rule 2120(d)(1). Further, Arca Rule 6.2(e)(7) states that a group of visitors comprising more than fifteen persons may not enter the Trading Floor without prior approval of the Exchange. The Exchange believes that this rule is also unnecessary, as proposed Rule 2120(d)(5) allows the Exchange to restrict visiting on the Trading Floor in any manner at any time regardless of the size of the visiting group. As such, the Exchange believes that not including Arca Rules 6.2(e)(4) and (7) is reasonable and in line with the proposed rules discussed herein.

<sup>12</sup> See PHLX Rule 60(b)(i). The Exchange notes that there are no substantive differences between proposed Rule 2120(e)(1) and 60(b)(i).

<sup>7</sup> This prohibition shall apply at all times whether or not the Trading Floor is in session.

<sup>8</sup> See Arca Rule 6.2(c)(2). The Exchange notes that there are no substantive differences between proposed Rule 2120(b)(2) and Arca Rule 6.2(c)(2).

<sup>9</sup> See Arca Rule 6.2(d)(1). The Exchange notes that there are no substantive differences between proposed Rule 2120(c)(1) and Arca Rule 6.2(d)(1).

The Expedited Hearing Officer shall make a ruling at the time of the hearing and a written decision will be provided to the Participant following the hearing. Participants shall not be excluded from electronic trading, but will not be permitted to be physically present on the Trading Floor for the duration of any exclusion. The Exchange notes that this rule is based on the rules of PHLX.<sup>13</sup>

Further, the Exchange proposes Rule 2120(e)(3) which states that exclusion from the Trading Floor may not be the exclusive sanction for breaches of this Rule and the regulations thereunder. In addition to exclusion, a Participant may also be subject to a fine or the matter may be referred to the Hearing Committee where it shall proceed in accordance with the Rule 12000 Series. The Exchange notes that this rule is based on the rules of PHLX.<sup>14</sup>

Lastly, the Exchange proposes the procedure to be followed when a Participant is to be excluded from the Trading Floor. Specifically, the Exchange proposes that there is no further right of appeal. The determination that a Participant shall be excluded is final. There is no appeal from such determination. Further, the Exchange proposes that a report in appropriate form shall be made to the SEC. However, no report shall be made in a case where a clerical employee is excluded for a breach of regulations relating to order, decorum, health, safety and welfare or administration of the Exchange.<sup>15</sup> The Exchange notes that this rule is based on the rules of PHLX.<sup>16</sup>

#### Imposition of Fines for Minor Rule Violations

Exchange Rule 12140 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) and proposed (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. The Exchange now proposes to reword the last sentence of Rule 12140(a). Specifically, the Exchange proposes to state that the Exchange will proceed under this Rule only for violations that are minor in nature. Any other violation will be addressed pursuant to Rule 12030 or 12040.

Next, the Exchange proposes to amend Rule 12140 to adopt section (e) which details Trading Floor Violations Subject to Fines and their applicable sanctions.

First, the Exchange proposes to adopt 12140(e)(1), General Responsibilities of Floor Brokers pursuant to BOX Rule 7570. Under this rule, a Floor Broker who, when handling an order, fails to use due diligence 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 following fines:

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

Next, the Exchange proposes to adopt 12140(e)(2), Failure to Properly Record Orders pursuant to BOX Rule 7580(e). Under this rule, any Floor Participant who fails to comply with the order format and system entry requirements on the Trading Floor shall be subject to the following fines:

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

The Exchange then proposes to adopt 12140(e)(3), Failure to Properly Execute a QOO Order, pursuant to BOX Rule 7600. Under this rule, any Floor Participant who fails to properly execute a QOO Order shall be subject to the following fines:

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

The Exchange proposes to adopt 12140(e)(4), Trading Conduct and Order & Decorum on the Trading Floor, pursuant to proposed Rule 2120(b)–(d) discussed above. Under this rule, violations of Rule 2120 related to Trading Floor Conduct and decorum shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	\$250.
Second Occurrence ..	\$500.
Third Occurrence .....	\$1,000.
Subsequent Occurrences.	Formal Disciplinary Action.

The Exchange then proposes to adopt 12140(e)(5), Discretionary Transactions. Under this rule, violations of Rule 7590 regarding Discretionary Transactions shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	\$250.
Second Occurrence ..	\$500.
Third Occurrence .....	\$1,000.
Subsequent Occurrences.	Formal Disciplinary Action.

Next, the Exchange proposes to adopt Rule 12140(e)(6), Floor Participant Not Available to Reconcile an Uncompared Trade pursuant to Rule 8530. Under this proposed rule, violations of Rule 8530 regarding the resolution of uncompared trades shall be subject to the following fines:

<sup>13</sup> See PHLX Rule 60(c). The Exchange notes that there is a minor difference between proposed Rule 2120(e)(2) and PHLX Rule 60(c). Specifically, the Exchange did not include references to the “Business Conduct Committee,” as such committee does not exist on BOX. The Exchange instead proposes that the Expedited Hearing will be held before the Chair of the Hearing Committee or his or her designee. The Exchange believes that this change is appropriate as this change better aligns the rule with BOX’s disciplinary rules.

<sup>14</sup> See PHLX Rule 60(c)(iv). The Exchange notes that there are no substantive differences between proposed Rule 2120(e)(3) and PHLX Rule 60(c)(iv).

<sup>15</sup> The Exchange notes that a clerical employee is not considered an “associated person” under the Exchange Act, and therefore no report shall be made if a clerical employee is in violation of rules and regulations relating to order, decorum, health, safety and welfare or administration of the Exchange. See 15 U.S.C. 78c(a)(18).

<sup>16</sup> See PHLX Rule 60 Commentary (b). The Exchange notes that there are no substantive differences between proposed Rule 2120(e)(4) and PHLX Rule 60 Commentary (b).

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

The Exchange then proposes to adopt Rule 12140(e)(7), Floor Participant Communications and Equipment, pursuant to Rule 7660. Under this proposed rule, violations of Rule 7660 regarding Floor Participant Communications and Equipment shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	\$250.
Second Occurrence ..	\$500.
Third Occurrence .....	\$1,000.
Subsequent Occurrences.	Formal Disciplinary Action.

Next, the Exchange proposes Rule 12140(e)(8), Improper Vocalization of a Trade pursuant to Rule 100(b)(5). Under this proposed rule, violations of Rule 100(b)(5) regarding the requirements for public outcry shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	\$250.
Second Occurrence ..	\$500.
Third Occurrence .....	\$1,000.
Subsequent Occurrences.	Formal Disciplinary Action.

The Exchange then proposes to adopt Rule 12140(e)(9), Floor Market Maker Failure to Comply with Quotation Requirements pursuant to Rule 8510(c)(2). Under this rule, violations of Rule 8510(c)(2) regarding a Floor Market Maker's Obligations of Continuous Open Outcry Quoting shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	\$250.
Second Occurrence ..	\$500.
Third Occurrence .....	\$1,000.
Subsequent Occurrences.	Formal Disciplinary Action.

The Exchange proposes Rule 12140(e)(10), Floor Market Maker Quote Spread Parameters pursuant to Rule 8510(d)(1). Under this proposed rule, violations of Rule 8510(d)(1) regarding legal bid/ask differential requirements

on the Trading Floor shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	Letter of Caution.
Second Occurrence ..	\$250.
Third Occurrence .....	\$500.
Subsequent Occurrences.	Formal Disciplinary Action.

Next, the Exchange proposes Rule 12140(e)(11), Floor Broker Failure to Honor the Priority of Bids and Offers pursuant to Rule 7610(d). Under this proposed rule, violations of Rule 7610(d) regarding a Floor Broker's obligations in determining Time Priority Sequence shall be subject to the following fines:

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

The Exchange then proposes Rule 12140(e)(12), Floor Broker Failure to Identify a Broker Dealer Order, pursuant to Rule IM-7580-2. Under this proposed rule, violations of Rule IM-7580-2 regarding a Floor Broker's responsibility to identify its orders shall be subject to the following fines:

Number of violations within any rolling 24-month period	Sanction
First Occurrence .....	\$250.
Second Occurrence ..	\$500.
Third Occurrence .....	\$1,000.
Subsequent Occurrences.	Formal Disciplinary Action.

The Exchange notes that the proposed violations listed above are substantially similar to the rules of NYSE Arca's Minor Rule Plan regarding violations and sanctions applicable to a physical trading floor.<sup>17</sup>

<sup>17</sup> See Arca Rule 10.12(k). The Exchange notes that it did not adopt all of Arca's Minor Rule Plan violations and sanctions, as some rules were not applicable to BOX. Specifically, BOX did not copy the following Arca Rules as they were not applicable because the corresponding rule does not exist on BOX. They are: 10.12(k)(i)(7), 10.12(k)(i)(10), 10.12(k)(i)(11), 10.12(k)(i)(12), 10.12(k)(i)(21), 10.12(k)(i)(22), 10.12(k)(i)(23), 10.12(k)(i)(24), 10.12(k)(i)(25), 10.12(k)(i)(26), 10.12(k)(i)(29), 10.12(k)(i)(30), 10.12(k)(i)(33), 10.12(k)(i)(34), 10.12(k)(i)(37), 10.12(k)(i)(38), 10.12(k)(i)(44) and 10.12(k)(i)(45). Because these rules do not exist on BOX, there cannot be a corresponding MRVP fine under proposed Rule 12140(e). Next, the Exchange did not copy the

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>18</sup> in general, and Section 6(b)(5) of the Act,<sup>19</sup> in particular, in that it is designed 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 for a free and open market and a national market system and, in general, to protect investors and the public interest.

### Proposed Rule 2120

The Exchange believes that proposed Rule 2120, Trading Conduct and Order and Decorum on the Trading Floor, imposes reasonable restrictions and requirements that are designed to further the objectives of the Act. Specifically, the proposed rules are designed to maintain order on the Trading Floor and apply to all Floor Participants. Additionally, these rules are based on those of competing options exchanges that also have trading floors.<sup>20</sup>

### Imposition of Fines for Minor Rule Violations

The Exchange believes that the proposed changes to Rule 12140 are consistent with and further the

following Arca Rules, as BOX believes they are covered under other proposed BOX MRVP rules. They are: 10.12(k)(i)(3) covered under proposed Rule 12140(e)(3), 10.12(k)(i)(6) covered under proposed Rule 12140(e)(9), 10.12(k)(i)(13) covered under proposed Rule 12140(e)(7), 10.12(k)(i)(17) covered under proposed Rule 12140(e)(4), 10.12(k)(i)(19) covered under proposed Rule 12140(e)(4), 10.12(k)(i)(27) covered under proposed Rule 12140(e)(7), 10.12(k)(i)(31) covered under proposed Rule 12140(e)(4), 10.12(k)(i)(32) covered under proposed Rule 12140(e)(4), 10.12(k)(i)(35) covered under Rule 12140(d)(10)(the Exchange notes that this is an existing Rule found in the BOX MRVP and is also applicable to the Trading Floor), 10.12(k)(i)(36) covered under proposed Rule 12140(e)(4) and 10.12(k)(i)(39) covered under proposed Rule 12140(e)(9). Further, the Exchange did not copy Arca Rule 10.21(k)(i)(42) because the Exchange believes that the inclusion of this rule is unnecessary given the unique nature of the BOX Trading Floor. Specifically, the Trading Floor relies heavily on the technology used to submit QOO orders for execution. Because the technology will not allow orders to be submitted before or after trading hours, the Exchange believes that the inclusion of this rule is unnecessary. Lastly, the Exchange notes that the proposed sanctions are lower when compared to Arca. The Exchange believes the proposed sanction amounts are appropriate as they are in line with BOX's current MRVP sanctions.

<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> See *supra* notes 5, 6, 8, 9, 10, 11, 12, 13, 14 and 16.

objectives of the Act. Additionally, the Exchange believes that the proposal is consistent with Section 6(b)(6) of the Act<sup>21</sup> which requires the rules of an exchange provide that its members be appropriately disciplined for violations of the Act as well as the rules and regulations thereunder, by imposing pre-set fine amounts for breaches of order and decorum to reflect the severity of the violation and provide an appropriate form of deterrence for violations of Exchange Rules and the regulations thereunder. In addition, because existing BOX Rule 12140 provides procedural rights to a person fined under the Exchange's MRVP to contest the fine and permits a hearing on the matter, the Exchange believes that the proposal is consistent with Sections 6(b)(7) and 6(d)(1) of the Act,<sup>22</sup> because it provides a fair procedure for the disciplining of Participants and persons associated with Participants.

The Exchange believes that the preset fines for Trading Floor violations are appropriate to deter Floor Participants from violating requirements and restrictions which are necessary for the orderly operation of the Trading Floor. The fines should create further deterrents for certain activity on the Trading Floor which disrupts the orderly operation of the Trading Floor. Further, the minor rule plan assists the regulatory staff in protecting its market to the benefit of the public. Finally, the Exchange believes that the proposal is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act, because Rule 12140 strengthens the Exchange's ability to carry out its oversight and enforcement responsibilities as an SRO in cases where full disciplinary proceedings may be unsuitable in view of the minor nature of the particular violation. Additionally, these rules are based on those of a competing options exchange [sic] that also has a trading floor.<sup>23</sup>

#### *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 changes being proposed are similar to the rules of Arca and PHLX.<sup>24</sup> 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 has neither solicited nor received comments on the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>25</sup> and Rule 19b-4(f)(6) thereunder.<sup>26</sup> Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative upon filing. The Exchange has stated that it is requesting this waiver because the disciplinary rules contained in this proposed rule change need to be in place for the Exchange to operate its recently approved Trading Floor and waiver of the operative delay will allow the Exchange to commence operation of the Trading Floor in a timely manner while ensuring that proper disciplinary rules are in place. The Exchange explained that the proposed rules are similar to the rules of other Exchanges and that it provided Participants on the Exchange with notice of the disciplinary rules contained in the proposed rule change via regulatory circular. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because this waiver will enable

the Exchange to begin operating its Trading Floor with trading conduct and order and decorum rules in place and with a Minor Rule Violation Plan that incorporates violations concerning activities related to the Trading Floor. The Commission further notes that the proposed rules are based on the rules of other exchanges with trading floors. For this reason, the Commission hereby waives the 30-day operative delay requirement and designates the proposed rule change as operative upon filing.<sup>27</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>28</sup> of the Act 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](mailto:rule-comments@sec.gov). Please include File Number SR-BOX-2017-26 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-BOX-2017-26. 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 Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements

<sup>21</sup> 15 U.S.C. 78f(b)(6).

<sup>22</sup> 15 U.S.C. 78f(b)(7) and (d)(1).

<sup>23</sup> See *supra* note 17.

<sup>24</sup> See *supra* notes 5, 6, 8, 9, 10, 11, 12, 13, 14, 16 and 17.

<sup>25</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>26</sup> 17 CFR 240.19b-4(f)(6).

<sup>27</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>28</sup> 15 U.S.C. 78s(b)(2)(B).

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 Web site viewing and printing in the Commission's Public Reference Room 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BOX-2017-26, and should be submitted on or before September 11, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

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

[FR Doc. 2017-17545 Filed 8-18-17; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 32779; File No. 812-14723]

### TIAA-CREF Funds, et al.

August 15, 2017.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice.

Notice of an application for an order pursuant to: (a) Section 6(c) of the Investment Company Act of 1940 ("Act") granting an exemption from sections 18(f) and 21(b) of the Act; (b) section 12(d)(1)(J) of the Act granting an exemption from section 12(d)(1) of the Act; (c) sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Act; and (d) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions. Applicants request an order that would permit certain registered open-end management investment companies to participate in a joint lending and borrowing facility.

*Applicants:* TIAA-CREF Funds, TIAA-CREF Life Funds, College

Retirement Equities Fund and TIAA Separate Account VA-1, each registered under the Act as an open-end management investment company with one or more series or accounts, and Teachers Advisors, LLC ("TA") and TIAA-CREF Investment Management, LLC ("TCIM"), each registered as an investment adviser under the Investment Advisers Act of 1940.

*Filing Dates:* The application was filed on December 8, 2016 and amended on April 13, 2017 and July 11, 2017.

*Hearing or Notification of Hearing:* An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail.

Hearing requests should be received by the Commission by 5:30 p.m. on September 11, 2017 and should be accompanied by proof of service on the applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to Rule 0-5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090; Applicants: c/o Rachael Zufall, Nuveen, LLC, 8500 Andrew Carnegie Boulevard, Charlotte, NC 28262.

**FOR FURTHER INFORMATION CONTACT:** Asaf Barouk, Attorney-Advisor, at (202) 551-4029, or Kaitlin Bottock, Branch Chief, at (202) 551-6821 (Division of Investment Management, Chief Counsel's Office).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's Web site by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

### Summary of the Application

1. Applicants request an order that would permit the applicants to participate in an interfund lending facility where each Fund could lend money directly to and borrow money directly from other Funds to cover unanticipated cash shortfalls, such as unanticipated redemptions or trade

fails.<sup>1</sup> The Funds will not borrow under the facility for leverage purposes and the loans' duration will be no more than 7 days.<sup>2</sup>

2. Applicants anticipate that the proposed facility would provide a borrowing Fund with a source of liquidity at a rate lower than the bank borrowing rate at times when the cash position of the Fund is insufficient to meet temporary cash requirements. In addition, Funds making short-term cash loans directly to other Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in repurchase agreements or certain other short term money market instruments. Thus, applicants assert that the facility would benefit both borrowing and lending Funds.

3. Applicants agree that any order granting the requested relief will be subject to the terms and conditions stated in the application. Among others, an Adviser, through a designated committee, would administer the facility as a disinterested fiduciary as part of its duties under the investment management agreements with the Funds and would receive no additional fee as compensation for its services in connection with the administration of the facility. The facility would be subject to oversight and certain approvals by the Funds' Board, including, among others, approval of the interest rate formula and of the method for allocating loans across Funds, as well as review of the process in place to evaluate the liquidity implications for the Funds. A Fund's aggregate outstanding interfund loans will not exceed 15% of its net assets, and the Fund's loans to any one Fund will not exceed 5% of the lending Fund's net assets.<sup>3</sup>

<sup>1</sup> Applicants request that the order apply to the applicants and to any existing or future registered open-end or closed-end management investment company or series thereof for which TA or TCIM or any successor thereto or an investment adviser controlling, controlled by, or under common control with TA or TCIM or any successor thereto serves as investment adviser (each a "Fund" and collectively the "Funds" and each such investment adviser an "Adviser"). For purposes of the requested order, "successor" is limited to any entity that results from a reorganization into another jurisdiction or a change in the type of a business organization. The term "Adviser" does not include Nuveen Fund Advisors, LLC, and the term "Funds" does not include any registered investment companies for which Nuveen Fund Advisors, LLC serves as investment adviser. The Funds that are closed-end management investment companies will not participate as borrowers in the interfund lending facility.

<sup>2</sup> Any Fund, however, will be able to call a loan on one business day's notice.

<sup>3</sup> Under certain circumstances, a borrowing Fund will be required to pledge collateral to secure the loan.

<sup>29</sup> 17 CFR 200.30-3(a)(12).