



June 21, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Options Clearing Corporation (“OCC”), Notice of Filing of Proposed Rule Change Related to the Adoption of an Options Exchange Risk Control Standards Policy; SEC File No. SR-OCC-2016-004 (March 04, 2016).

Dear Mr. Fields,

BOX Options Exchange (“BOX” or “Exchange”) submits this letter in response to the recently submitted comment letter from The Options Clearing Corporation (“OCC”) regarding their proposal to require all options exchanges to have certain risk control standards and to institute an additional fee for transactions occurring on an exchange that does not have risk controls deemed adequate by OCC (the “Proposal”).¹ BOX submits this letter to address certain misrepresentations made by OCC in their comment letter; specifically, the assertion by OCC that BOX previously supported the Proposal and was involved in its development. As a preliminary note, BOX would like to reiterate that the Exchange is not opposed to enhanced risk controls; BOX’s objection is solely to OCC mandating the level of risk controls each options exchange must have and the increase in authority over the exchanges by OCC.

I. BOX Has Never Supported the Proposal

OCC claims that all options exchanges, including BOX, have participated extensively in development of the Proposal in one way or another. Specifically, OCC claims that each of the options exchanges was involved in one or more of the following three ways: (1) voting for the Proposal, (2) publicly supporting the Proposal, or (3) helping with the development of the Proposal.² This is blatantly false; BOX has never supported the Proposal in any form.

A. BOX Does Not Have a Vote

OCC provides that one of the ways that the options exchanges supported the Proposal was by voting for the Proposal as a representative of OCC’s Board of Directors. This does not apply to BOX; BOX does not have representation on OCC’s Board of Directors. Only five options exchanges are owners of OCC and have representatives on

¹ See Letter from Joseph Kamnik (June 13, 2016).

² See OCC’s letter at 4.

OCC's Board of Directors, which afforded them the ability to vote on the Proposal.³ As OCC pointed out, if they had decided to amend the Restated Participant Exchange Agreement ("RPEA")⁴ between OCC and the options exchanges, every options exchange would have been allowed to vote, not just the five owner exchanges.⁵ BOX believes that if OCC truly wanted input from all the options exchanges, they should have taken the approach of amending the RPEA.

B. BOX Never Publicly Supported the Proposal

The next way that OCC claims the options exchanges supported the Proposal was by publicly supporting the principles underpinning the Proposal in May 2014.⁶ This is a misleading and incorrect statement by OCC, as they are conflating two separate issues in an attempt to further their point. Specifically, the May 2014 announcement was about increasing risk controls for the options industry as a whole, while the Proposal is about OCC mandating the level of risk controls each options exchange *must* have and increasing OCC's authority over the exchanges. The May 2014 announcement made no mention of the Proposal or OCC determining the compliance of the exchanges. BOX does not object to increased risk controls for the options exchanges, but rather objects to OCC mandating the level of risk controls that each options exchange must have.

BOX has continually opposed the Proposal and the increased authority over the options exchanges by OCC that is provided for in the Proposal. This is the very reason why the Exchange is not included in OCC's September 29, 2014 press release announcing the Proposal.⁷ BOX consciously made the decision to not support the Proposal when it was announced, which is illustrated by BOX's absence from the September 29, 2014 press release. However, OCC tries to incorrectly claim that BOX originally supported the Proposal because BOX was included in the May 2014 press release and is only now changing stances. Unfortunately, for the point OCC is attempting to make, the May 2014 release was about increased risk controls, not about OCC having authority to mandate that the options exchanges have certain minimum risk control standards and institute a fee for clearing transactions on exchanges that do not have adequate risk controls. As mentioned above, OCC is conflating the two issues in order to further their agenda. OCC is incorrectly asserting that since BOX supports increased risk controls for the options industry, then the Exchange also supports the Proposal. BOX is happy to clarify for OCC that the Exchange has never supported the Proposal and has always been fundamentally opposed to it.

C. BOX Never Aided in the Development of the Proposal

³ The owner exchanges are: Chicago Board Options Exchange, Incorporated; International Securities Exchange, LLC; NASDAQ OMX PHLX LLC; NYSE MKT LLC; and NYSE Arca, Inc.

⁴ See Restated Participant Exchange Agreement (July 26, 1983).

⁵ See OCC's letter at 6.

⁶ See http://optionsclearing.com/about/newsroom/releases/2014/05_21.jsp

⁷ See http://optionsclearing.com/about/newsroom/releases/2014/09_29.jsp.

The last way that OCC claims the options exchanges supported the Proposal was through helping in the development of the Proposal. Again, this does not apply to BOX; BOX never provided comments or helped in the development of the Proposal. BOX listened to OCC with respect to their plans for the Proposal as a courtesy. However, BOX never aided in the development of the Proposal or agreed to it. BOX has been fundamentally opposed to the premise of the Proposal from the beginning and made a conscious decision to not be involved in its development.⁸ Additionally, as described below, it seems that OCC does not believe that BOX's concerns warrant consideration, therefore any comments made by BOX in helping the development of the Proposal would have been moot.

II. BOX's Market Share

OCC claims that any weight given to BOX's concerns should be in fair proportion to the extent of BOX's position in the market.⁹ This is a ridiculous assertion and further proves the Exchange's point that OCC is exercising excessive authority over the options exchanges and that the Proposal has the potential to unfairly harm smaller exchanges. This view by OCC is exactly why the Securities and Exchange Commission (the "Commission") needs to fully evaluate the consequences of approving the Proposal; it illustrates OCC's view on the smaller non-owner exchanges and that discriminating against them is acceptable. In their letter, OCC discusses how the Proposal does not discriminate against the individual exchanges but then in the same letter claims that the Commission should directly discriminate against BOX because of the Exchange's market share.

OCC's statement regarding BOX's market share conflicts with additional assertions made in OCC's letter. Specifically, OCC cannot claim on one side that BOX supported the Proposal because the Exchange was part of developing it, even though this is not correct, then say that BOX's opinion does not matter. Given OCC's discrimination against smaller exchanges, it is unlikely that BOX's concerns would have been considered even if BOX had provided comments to OCC during development of the Proposal. This further highlights the major concern BOX has: OCC using their position as the sole clearing agency for options to assert excessive control and influence over the individual options exchanges. OCC's view clearly illustrates that they believe discriminating against small, non-owner exchanges is appropriate.

If an outside commentator raised the same issues that BOX did, would OCC not have to address them because they do not have adequate market share? The Commission's determination on the validity of BOX's objections and concerns should be based on the issues themselves, not BOX's market share. Weighing an exchange's

⁸ The Exchange notes that it has previously provided drafts of certain risk control rule filings to OCC; however, this was due to the fact that BOX has no choice but to be compliant with OCC's risk standards in order to prevent an additional OCC fee on all transactions executed on the Exchange. To be clear, these drafts were sent to OCC as a means to ensure that BOX is compliant with the risk control standards and should not in any way be viewed as an endorsement of the Proposal by BOX.

⁹ See OCC's letter at 4.

concerns based on market share is a very slippery slope. By this logic, you could argue that no one option exchange's opinion warrants consideration since they each have less than 50% market share individually.

III. Conclusion

Although BOX generally supports increased risk controls, the Exchange has never supported the Proposal. The claims by OCC that BOX previously supported the Proposal are false and misleading. BOX reiterates its view that the Proposal is outside the scope of OCC's authority, statutory or otherwise.

Sincerely,

A handwritten signature in black ink that reads "L.J. Fall". The signature is written in a cursive, slightly stylized font.

Lisa J. Fall
President