SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98139; File No. SR–BOX–2023–22]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Update and Amend IM–7240–1 Regarding Complex Order and Multi-Leg Price Protections

August 15, 2023.

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 August 7, 2023, 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 Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act [3] and Rule 19b–4(f)(6) thereunder.[4] 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 update and amend IM–7240–1 regarding Complex Order [5] and Multi-Leg price protections. 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 *https://rules.boxexchange.com/rulefilings.*

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 twofold: first, to amend IM–7240–1(a) to include Multi-Leg Orders; [6] and second, to make certain price protections voluntary for Complex Qualified Open Outcry (''QOO'') Orders and multi-leg QOO Orders. In May 2018, BOX adopted protections for Complex Orders.[7] Multi-leg QOO Orders were added to the Trading Floor in February of 2019.[8] At that time, the Complex Order protections in IM–7240–1(a) were designed to apply to multi-leg QOO Orders, however, IM–7240–1(a) was not updated accordingly. The Exchange now proposes to update IM–7240–1 to explicitly include multi-leg QOO Orders in IM–7240–1(a) to accurately describe system functionality. The Exchange notes that IM–7240–1 includes both the debit/credit check and maximum price protections. At present, debit/credit check in IM–7240–1(a) applies to both Complex Orders and Multi-Leg Orders and maximum price in IM–7240–1(b) applies to Complex Orders but not to Multi-Leg Orders because maximum price only applies to true butterfly spreads, vertical spreads, and box spreads which have ratios that are equal to or greater than one-to-three and less than or equal to three-to-one and by definition are always Complex Orders.[9]

As background, BOX implemented a debit/credit check which helps prevent the execution of Complex Orders at erroneous prices.[10] Specifically, under the debit/credit check, the system will reject a Complex Limit Order for a credit strategy with a net debit price or a Complex Limit Order for a debit strategy with a net credit price. The debit/credit check mechanism is designed to value strategies using principles that are based on theoretical models used to value options. Such models take into account variables such as current market price, strike price, and time to expiration. All else equal, longer-dated options are more valuable because of their greater time to expiration. Additionally, holding everything constant, including expiration date, a put option with a higher strike price will be more valuable than a put option with a lower strike price because the higher strike price allows the holder to sell the underlying security at a higher price. Conversely, a call option with a lower strike price is more expensive than a call option with a higher strike price because the lower strike price allows the holder to buy the underlying security at a lower price. Taking these principles into account, BOX designed the debit/credit check as a way to identify strategies as credit or debit and only accept appropriate prices based on that determination.

In addition to the debit/credit check, the system will also calculate a maximum price for true butterfly spreads, vertical spreads, and box spreads. After calculating the maximum price, the system will reject a Complex Limit Order that is a true butterfly spread, vertical spread, or a box spread if the absolute value of the Complex Order's limit price is greater than the maximum price. For a Complex Market Order that is a true butterfly spread, vertical spread, or a box spread, the system will reject the Complex Market Order if the absolute value of the execution price is greater than the maximum price. The maximum price value is calculated by adding a price buffer to the absolute value of a true butterfly spread, vertical spread, or box spread.[11]

The Exchange notes that the principals [sic] drawn from theoretical models used to value options do not take into account bid to ask spreads and other factors that may influence the

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A)(iii).

[4] 17 CFR 240.19b–4(f)(6).

[5] The term ''Complex Order'' means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. *See* BOX Rule 7240(a)(7).

[6] The term ''Multi-Leg Order'' means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, and for the purpose of executing a particular investment strategy in a ratio that is less than one-to-three (.333) or greater than three-to-one (3.00). *See* BOX Rule 7240(a)(10).

[7] *See* Securities and Exchange Act Release No. 83163 (May 3, 2018), 83 FR 21320 (May 9, 2018) (SR–BOX–2018–13) (Notice of Immediate Effectiveness of a Proposed Rule Change to Adopt Price Protections for Complex Orders).

[8] *See* Securities and Exchange Act Release No. 85052 (February 5, 2019), 84 FR 3265 (February 11, 2019) (SR–BOX–2019–01) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify That Multi-leg Qualified Open Outcry Orders are Permitted on the BOX Trading Floor).

[9] A true butterfly spread has a ratio of two-to-one while vertical spreads and box spreads have a leg ratio of one-to-one. As noted above, a Complex Order means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. *See* BOX Rule 7240(a)(7). Further, a Multi-Leg Order means any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, and for the purpose of executing a particular investment strategy, in a ratio that is less than one-to-three (.333) or greater than three-to-one (3.00). *See* BOX Rule 7240(a)(10).

[10] *See* BOX IM–7240–1(a) (Debit/Credit Check).

[11] *See* BOX IM–7240–1(b) (Maximum Price).

prices at which Participants[12] trade options. For example, Participants may need to close positions to reduce risk or to reduce margin requirements and, in such cases, may be less sensitive to prices of individual options. Further, Participants may believe that market conditions warrant trades that would otherwise be rejected by BOX. The Exchange believes that Participants make this determination based on their own theoretical models, positions, and evaluation of market conditions. As described further below, the Exchange's proposal is designed to allow Participants to make this determination on a per order basis based on their internal evaluations of relevant factors.

The Exchange now proposes to amend IM–7240–1(a) to explicitly include Multi-Leg Orders and to make the debit/credit check voluntary for Complex QOO Orders and multi-leg QOO Orders and [sic] maximum price in IM–7240–1(b) voluntary for Complex QOO Orders on the BOX Trading Floor.[13] Specifically, the Exchange is proposing to clarify system functionality by explicitly including Multi-Leg Orders within the debit/credit check, and to add an exception whereby both Complex QOO Orders and multi-leg QOO Orders may be excluded from the debit/credit check on a per order basis. Additionally, the Exchange is proposing to add an exception to maximum price to exclude Complex QOO Orders on a per order basis. The Exchange notes that even when the debit/credit check and maximum price are not applied to an order, Floor Brokers[14] will evaluate the price of an order based on then-existing market conditions prior to submitting the order to the Trading Host for execution. The debit/credit check will apply to Complex QOO Orders and multi-leg QOO Orders and maximum price will apply to Complex QOO Orders by default unless Participants elect otherwise on a per order basis. Specifically, when submitting an order, there is an optional tag to disable the debit/credit check and maximum price, if the tag is not populated then the debit/credit check and maximum price will apply by default. Although Participants who voluntarily choose not to apply the debit/credit check and maximum price do not have the benefit of such protections, there is still an opportunity for Floor Brokers to detect any errors resulting in minimal risk of execution at an erroneous price.

Additionally, the Exchange notes that Complex QOO Orders will still be executed at a price that is equal to or better than the BOX BBO for each component series and executed at a price that is equal to or better than the Extended cNBBO[15] for the Complex Order Strategy and that each component series of a multi-leg QOO Order must be executed at a price that is equal to or better than the NBBO for that series subject to the exceptions of Rule 15010(b).[16] The Exchange notes that the NBBO aspect of the Complex QOO Order filter may be disabled on an order by order basis by a Floor Broker executing Complex QOO Orders.[17] Lastly, the Exchange notes that Participants have expressed that the current application of these protections is too restrictive and prevents executions that would be allowed to execute on competing exchanges.[18] The Exchange believes that other exchanges do not apply similar protections on their trading floors.[19] As such, Participants have requested this flexibility for their Complex QOO Orders and multi-leg QOO Orders because of instances when a Participant order was rejected on BOX due to debit/credit check or maximum price, the Participant still desires to execute the order, and sends the order to another exchange where such orders are allowed to execute.

Lastly, the Exchange proposes to remove the word ''regular'' in IM–7240–1(a)(5) and IM–7240–1(b)(5). The Exchange believes the use of the word may cause confusion and is unnecessary, and, as such, believes that removing it will provide clarity within the rule text.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the ''Act''),[20] in general, and Section 6(b)(5) of the Act,[21] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. In particular, amending IM–7240–1(a) to include Multi-Leg Orders aligns the Exchange's rules with current system functionality and accurately describes the application of the protections in IM–7240–1(a). The Exchange believes that codifying the inclusion of Multi-Leg Orders in IM–7240–1(a) will ensure the rulebook accurately reflects the operation of the Exchange's rules and, therefore, the proposed rule change reduces potential investor or market participant confusion. Additionally, this amendment is designed to provide Participants with greater certainty about how Complex Order and Multi-Leg Order price protections are applied to their orders. Further, the Exchange believes applying the protections in IM–72401(a) to Multi-Leg Orders helps prevent Multi-Leg Orders from executing at erroneous prices.

The Exchange believes further that allowing the debit/credit check to be voluntary for Complex QOO Orders and multi-leg QOO Orders and maximum price to be voluntary for Complex QOO Orders will provide flexibility for investors to enter Complex QOO Orders and multi-leg QOO Orders which otherwise may have been rejected due to the debit/credit check and maximum price even though such orders may have been designed to meet investors' investment objectives. The election to forgo the debit/credit check and maximum price will only be allowed on the BOX Trading Floor because Floor Brokers will have an opportunity to evaluate the price of an order based on then-existing market conditions prior to submitting the order to the BOX Trading Host for execution, resulting in minimal risk of execution at an erroneous price. For example, Floor Brokers may communicate with their clients to determine whether an order was intended to be priced as a debit or as a credit or may be aware of the market conditions influencing a client to price an order as a debit or as a credit. The debit/credit check will apply to Complex QOO Orders and multi-leg QOO Orders and maximum price will apply to Complex QOO Orders by default unless Participants elect otherwise on a per order basis. The Exchange notes that Complex QOO

[12] *See* BOX Rule 100(a)(42).

[13] The Exchange notes that the price protections discussed herein cannot be waived for electronic orders.

[14] *See* BOX Rule 7540.

[15] The term ''Extended cNBBO'' means the maximum permissible net bid and offer execution price for a Complex Order Strategy. *See* BOX Rule 7240(a)(5).

[16] *See* BOX Rules 7240(b)(3)(iii) and 7600(c).

[17] *See* BOX Rule 7240(b)(3)(iii).

[18] *See* NYSE Arca, Inc. (''NYSE Arca'') Rule 6.91P–O (providing Complex Strategy Protections for Electronic Complex Orders but not for open outcry orders) *and* Cboe Exchange, Inc. (''CBOE'') Rule 5.34(b)(3) *and* Securities and Exchange Act Release No. 80439 (April 12, 2017), 82 FR 18320 (April 18, 2017) (SR–CBOE–2017–031) (providing that debit/credit price reasonability checks do not apply to orders routed through its PAR workstation and order management terminal).

[19] *Id.*

[20] 15 U.S.C. 78f(b).

[21] 5 U.S.C. 78f(b)(5).

Orders will still be executed at a price that is equal to or better than the BOX BBO for each component series and executed at a price that is equal to or better than the Extended cNBBO for the Complex Order Strategy and that each component series of a multi-leg QOO Order must be executed at a price that is equal to or better than the NBBO for that series subject to the exceptions of Rule 15010(b).[22] The Exchange notes further that the NBBO aspect of the Complex QOO Order filter may be disabled on an order by order basis by a Floor Broker executing Complex QOO Orders.[23] Thus, the Exchange believes that allowing the debit/credit check to be voluntary only for Complex QOO Orders and multi-leg QOO Orders and maximum price to be voluntary for Complex QOO Orders removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest.

The Exchange notes that other exchanges do not currently apply Complex Order price protections similar to the debit/credit check in open outcry trading.[24] In particular, the NYSE Arca Rule titled Electronic Complex Order (''ECO'') Trading provides for ECO Risk Checks, including Complex Strategy Protections.[25] The Exchange believes that NYSE Arca's Complex Strategy Protections only apply to electronic orders and not to open outcry orders because ECO Risk Checks specifically apply to a Complex Order that is submitted electronically to NYSE Arca.[26] BOX, on the other hand, currently applies the debit/credit check to Complex QOO Orders and multi-leg QOO Orders and maximum price to Complex QOO Orders which are executed on the BOX Trading Floor. The proposal herein will make debit/credit voluntary for Complex QOO Orders and multi-leg QOO Orders and maximum price voluntary for Complex QOO Orders such that Participants may choose to execute certain Complex QOO Orders and multi-leg QOO Orders on the BOX Trading Floor. The Exchange believes that the proposal herein would allow certain Complex Orders that are currently allowed in open outcry on NYSE Arca to also be allowed on the BOX Trading Floor as Complex QOO Orders.

The Exchange notes that CBOE also has debit/credit price reasonability checks which do not apply to orders routed through its PAR workstation and order management terminal (''OMT''), which are subject to manual handling.[27] As such, CBOE does not apply debit/credit price reasonability checks to some of the orders subject to manual handling.[28] Specifically, a PAR or OMT operator evaluates the price of an order based on then-existing market conditions prior to submitting it for electronic execution, thus minimizing the risk of an erroneous execution and reducing the need for application of additional price checks. Similarly, the Exchange proposes to make the debit/credit check voluntary for Complex QOO Orders and multi-leg QOO Orders.

The Exchange believes that the proposed changes strike a balance between providing adequate risk controls and flexibility so that Participants may execute their intended strategies. Specifically, the Exchange believes that investors will have the added flexibility of executing Complex QOO Orders and multi-leg QOO Orders at prices of their choosing while still benefiting from Floor Brokers' handling of orders. Additionally, the Exchange notes that the proposed changes will provide Participants with another venue to execute certain Complex Orders and Multi-Leg Orders that would otherwise be rejected by BOX but accepted on another exchange.

Lastly, the Exchange believes that the proposed change to remove the word ''regular'' in IM–7240–1(a)(5) and IM–7240–1(b)(5) will provide clarity within the rule text and will reduce potential investor or market participant confusion.

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 Exchange believes that, amending IM–7240–1(a) to include Multi-Leg Orders does not impose any burden on intramarket competition as the change will apply in the same manner to all Participants. Further, the inclusion of Multi-Leg Orders in IM–7240–1(a) does not impose a burden on intermarket competition as the change simply intends to align the Exchange's rules with current system functionality and accurately describe the application of the protections in IM–7240–1(a). The Exchange does not believe the proposed rule change will impose any burden on intramarket competition, as the proposed rule change will apply in the same manner to all Participants. The Exchange notes that debit/credit check applies to Complex Orders and Multi-Leg Orders and maximum price to Complex Orders of all Participants, regardless of account type. Additionally, all Participants will have the ability to opt out of the debit/credit check for Complex QOO Orders and multi-leg QOO Orders and maximum price for Complex QOO Orders on a per order basis. Further, the proposed rule change will provide all Participants with the ability to execute certain Complex QOO Orders and multi-leg QOO Orders on BOX that previously were not allowed. The Exchange believes the proposed rule change does not impose any undue burden on intermarket competition and may, on the contrary, promote competition, as other exchanges currently apply similar protections while allowing certain orders to execute in open outcry on their respective trading floors.[29] 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.

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[22] *See supra* note 14.

[23] *See supra* note 15.

[24] *See supra* note 16. [sic]

[25] *See* NYSE Arca Rule 6.91P–O(g)(3). '''Electronic Complex Order' or 'ECO' means a Complex Order . . . that is submitted electronically to the Exchange.'' *See* NYSE Arca Rule 6.91P–O(a)(7). NYSE Arca's Complex Strategy Protections protect participants with the expectation that an order will receive (or pay) a net premium but prices the ECO such that the ECO sender will instead pay (or receive) a net premium. These protections apply to ''all buy'' or ''all sell'' strategies, vertical spreads, and calendar spreads. The Exchange notes that the debit/credit check in IM–7240–1 includes ''all buy'' and ''all sell'' strategies, Vertical spreads and Calendar spreads. The Exchange also notes that NYSE Arca Rule 6.91P–O does not include maximum price protections.

[26] NYSE Arca Rule 6.91P–O(a)(7) by its terms is applicable to electronic orders but not to open outcry orders.

[27] *See* Securities and Exchange Act Release No. 80439 (April 12, 2017), 82 FR 18320 (April 18, 2017) (SR–CBOE–2017–031).

[28] The Exchange notes that CBOE Rule 5.34(b)(4) titled ''Buy Strategy Parameters'' does not apply to orders auctioned via PAR and OMT whereas Rule 5.34(b)(5) titled ''Maximum Value Acceptable Price Range'' does apply to such orders. The Exchange notes further that the proposed rules determine whether a Complex Order is debit or credit by using a slightly different process than that employed by CBOE. Specifically, other than for call and put butterfly spreads, CBOE will group the legs of a Complex Order into pairs and compare multiple pairs to determine whether the Complex Order is a credit or debit while the Exchange creates groups (which may include more than two legs) based on expiration date. However, the ultimate determination of whether a Complex Order is a debit or credit is similar under the different processes. Therefore, the Exchange believes the debit/credit check is similar to CBOE's Debit/Credit Price Reasonability Checks. *See* CBOE Rule 5.34(b)(3).

[29] *See supra* note 16. [sic]

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

Because the foregoing proposed rule change does not (a) significantly affect the protection of investors or the public interest; (b) impose any significant burden on competition; and (c) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act [30] and Rule 19b–4(f)(6) thereunder.[31]

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b–4(f)(6)(iii),[32] the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay. The Exchange states that amending the debit/credit check in IM–7240–1(a) to include Limit Multi-Leg Orders will help to prevent Limit Multi-Leg Orders from executing at erroneous prices and help to ensure the accuracy of the Exchange's rules. The Exchange states that amending IM–7240–1 to make the debit/credit check voluntary for Complex QOO Orders and Multi-Leg QOO Orders and to make the maximum price protection voluntary for Complex QOO Orders will provide BOX Participants with flexibility in executing their Complex QOO Orders and Multi-Leg QOO Orders. As discussed above, the Exchange states that Participants that need to close positions to reduce risk or margin requirements may be less sensitive to the prices of individual options. The Exchange further states that Participants may believe, based on their own theoretical models and positions, that market conditions warrant trades that would otherwise be rejected by the Exchange. Under the proposal, the debit/credit check and the maximum price protection will continue to apply by default unless a Participant elects to forgo on a per order basis. Because the waiver will available only for orders traded in open outcry, but not for orders traded electronically, a Floor Broker will evaluate the price of the Complex QOO or Multi-Leg QOO Order based on then-existing market conditions prior to submitting the order to the Trading Host for execution, which the Exchange states will result in minimal risk of the order executing at an erroneous price. The Exchange further states that other options exchanges do not apply similar protections to orders executed on their trading floors, and that Participants have indicated that the current application of the debit/credit check and the maximum price protection is too restrictive and prevents executions that would be permitted on other options exchanges.[33] The Exchange states that deleting the word ''regular'' from IM–7240–1(a)(5) and IM–7240–1(b)(5) will help to clarify the Exchange's rules by removing an unnecessary and potentially confusing word from the Exchange's rules.

The Commission finds that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. The proposal will allow Participants to elect to waive the debit/credit check for Complex QOO Orders and Multi-Leg QOO Orders, and the maximum price protection for Complex QOO Orders, on an order-by-order basis. As discussed above, the Exchange states that Participants seek the flexibility to execute Complex QOO Orders and Multi-Leg QOO Orders at prices that the Exchange would otherwise reject. The Commission believes that the proposal will provide Participants with flexibility in executing Complex QOO and Multi-Leg QOO Orders that meet their investment objectives. Under the proposal, the debit/credit check and the maximum price protection will continue to apply by default, and Participants will have the ability to waive the protections on a per order basis. Because the waiver will be available only for Complex QOO and Multi-Leg QOO Orders traded in open outcry, but not for orders traded electronically, a Floor Broker will be able to evaluate the price of the Complex QOO or Multi-Leg QOO Order before submitting the order to the Trading Host for execution, which the Exchange believes will minimize the risk of a Complex QOO or Multi-Leg QOO Order executing at an erroneous price. The proposal to apply the debit/credit check to Limit Multi-Leg Orders should protect investors by helping to prevent Limit Multi-Leg Orders from executing at potentially erroneous prices. The proposal to delete the unnecessary word ''regular'' from IM–7240–1 should eliminate potential confusion and help to clarify the Exchange's rules. For these reasons, the Commission designates the proposal operative upon filing.[34]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include file number SR–BOX–2023–22.

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–2023–22. 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

[30] 15 U.S.C. 78s(b)(3)(A).

[31] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

[32] 17 CFR 240.19b–4(f)(6)(iii).

[33] *See* notes 24–28, *supra,* and accompanying text.

[34] For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–BOX–2023–22 and should be submitted on or before September 11, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2023–17859 Filed 8–18–23; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98140; File No. SR–ICC–2023–012)

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the Stress Testing Framework

August 15, 2023.

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 August 8, 2023, ICE Clear Credit LLC (''ICC'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change, as described in Items I, II and III below, which Items have been prepared primarily by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed rule change is to revise the ICC Stress Testing Framework (''STF''). These revisions do not require any changes to the ICC Clearing Rules (''Rules'').

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or advance notice and discussed any comments it received on the proposed rule change, security-based swap submission, or advance notice. The text of these statements may be examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

ICC proposes to update the STF. The STF sets forth the ICC stress testing practices that are focused on ensuring the adequacy of systemic risk protections. The proposed changes are limited to updating the stress period of the default-free Euro discount interest rate curve used in ICC's interest rate sensitivity analysis and providing additional clarifying language to the STF. ICC believes the proposed changes will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. ICC proposes to move forward with implementation of these changes following Commission approval of the proposed rule change. The proposed changes are described in detail as follows.

ICC proposes to update STF Section 11, ''Interest Rate Sensitivity Analysis'', which describes ICC's interest rate sensitivity analysis to account for the risks associated with changes to default-free discount interest rates. The STF currently incorporates two, currency specific, stress test parallel shifts (*i.e.,* up, and down) of the default-free discount interest rate for both CDS and CDS Index Options instruments. The magnitude of the interest rate stress scenarios reflects the largest shock, estimated using the collateral haircut model, during a selected stress period for the applicable sovereign debt, and such selected stress periods are subject to periodic review. Following such review, ICC proposes to update the stress period used to shock the EURO default-free discount interest rate.

The reasoning behind such proposed change is to respond to the current volatile interest rate period which began in 2022 and continues into 2023 due to the fast pace of U.S. Dollar and Euro interest rate increases. The impact to Euro interest rate volatility has been significant due to the sudden and rapid increases in Euro interest rates by the European Central Bank in an effort to curb multi-decade high inflation. Such interest rate volatility observed during this currently ongoing ''2022/2023 inflation crisis period'' is greater than the interest rate volatility observed in the Euro stress period currently in place in the STF (*i.e.,* the ''western European credit crisis period'' which occurred in 2011–2012). Specifically, the magnitude of the collateral haircuts observed in the currently ongoing ''2022/2023 inflation crisis period'' exceed the collateral haircuts observed during the ''western European credit crisis period.''

Therefore, ICC proposes to replace the current ''western European credit crisis period'' stress period with the ''2022/2023 inflation crisis period'' stress period in Section 11 of the STF. Such proposed change is prudent, from a risk perspective, as it improves ICC's interest rate sensitivity analysis by referencing the higher interest rate volatility stress period. As the current inflation crisis remains ongoing, ICC will continue to monitor interest rate volatility for any new volatility peak observed in the current ''2022/2023 inflation crisis period.''. In addition, ICC proposes to make analogous clarifying language changes to the identification of the default-free USD discount interest rate curve in Section 11 of the STF to remove the specific dates of the applicable stress period (*i.e.,* the 2008/2009 credit crisis period).

(b) Statutory Basis

As discussed herein, the proposed changes update the default-free Euro discount interest rate curve used in ICC's interest rate sensitivity analysis to reflect the interest rate shocks observed during the recent 2022–2023 inflation crisis period. Such proposed change strengthens the STF by updating the Euro stress period. Accordingly, ICC believes that the proposed changes to the STF are consistent with the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, the safeguarding of securities and funds

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[35] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.