

## MIAX Options Exchange Regulatory Circular 2021-56

**DATE:** September 30, 2021

**TO:** MIAX Exchange Members

**FROM:** MIAX Regulatory Department

**RE:** SPIKES Options Market Maker Incentive Program

This Regulatory Circular is to inform MIAX Options Market Makers that MIAX Options will introduce the following monthly Market Maker Incentive Program (the “Incentive Program”) for SPIKES Options beginning October 1<sup>st</sup>, and ending December 31<sup>st</sup>:

<b>SPIKES Options Market Maker Incentive Program</b>				
<b>Width Requirement</b>	<b>Minimum Time in Market</b>	<b>Average Quote Size (both sides)</b>	<b>Incentive 1</b>	<b>Incentive 2</b>
Maximum baseline averages for ITM and OTM SPIKES options as determined by the Exchange	70% (front 2 contract months)	25	\$10,000 per Market Maker per month*	Quality Width Spread Rebate described below**

### **\*Incentive 1**

Each Market Maker that satisfies the width, time in market, and average quote size requirements above, the specific details of which can be found below, will be entitled to receive Incentive 1 for that particular month. If more than four (4) Market Makers satisfy the requirements for Incentive 1, each Market Maker will receive a pro-rata share of the compensation pool based on the total number of Market Makers that qualify in that particular month.

### **\*\*Incentive 2**

Each Market Maker that exceeds the requirements of Incentive 1, set forth above, may earn an additional rebate each month. The specific eligibility requirements and calculations for Incentive 2 can be found below. Each qualifying Market Maker will then receive a pro-rated percentage of the compensation pool based on their average quality (measured in basis points) better than the

minimum. The compensation pool size for Incentive 2 will be capped at \$100,000 per month for all qualifying Market Makers, and capped at \$25,000 per month per Market Maker.

**Requirements:**

- Must be a registered MIAX Market Maker to participate in the Incentive Program
- No specific sign-up needed
- Applicable to the 1<sup>st</sup> **two** monthly expirations. The expiry will **roll** on the Monday prior to the SPIKES expiration

**Incentive Program Qualifications:**

- 1) Quoting 70% of time in market (TIM) applicable to a set of Program Options (PO)<sup>^1</sup> Measured over the entire month
- 2) Average quote size requirement of **25** contracts in each PO during TIM. (Average of bid and offer size for each individual PO)
- 3) ITM POs require a maximum bid/ask spread of **150 Bps** to count towards TIM
- 4) OTM POs require a maximum bid/ask spread of **100 Bps** to count towards TIM

*Note: [bps = {(Ask\$-Bid\$)/Future price}\*10,000] where ITM and OTM are determined by:*

*a. ITM call = Strikes where, {SPK(t)-Strike(t)} is >= 0, plus the 1<sup>st</sup> Call where SPK(t)- Strike < 0*

*b. OTM call = all remaining strikes*

*c. ITM put = Strikes where {Strike(t)-SPK(t)} is >= 0, plus the 1<sup>st</sup> Put where SPK(t)-Strike < 0*

*d. OTM call = all remaining strikes where, SPK(t)=live SPK “Mid” price for the future with same expiration date*

**Measurements:**

- 1) A “Snapshot” will be recorded each second (randomly within this second) during Regular Trading Hours (RTH), generally 9:30-4:15 ET
- 2) For Each Snapshot:
  - a. Each PO will be measured for width and size
  - b. A PO where the market width is equal to or less than the maximum spread AND has an average bid & ask size equal to or greater than the minimum size is a Qualifying PO (QPO)
- 3) The sum of QPOs in the month divided by the total number of POs in the month will determine if the 70% threshold has been achieved

Incentive One Pool	Incentive Two Pool
<p>Minimum Qualifications Pool</p> <ol style="list-style-type: none"> <li>1. Member must meet the four qualifications, per monthly calculation, to participate</li> <li>2. \$40,000 pool capped at \$10,000 per Member</li> <li>3. If more than four Members qualify, the pool will be equally distributed among the Members</li> </ol>	<p>Market Quality Pool</p> <ol style="list-style-type: none"> <li>1. Available to all Members who qualify for the Minimum Qualifications Pool</li> <li>2. A Member's final score for the Market Quality Pool determined as: <ol style="list-style-type: none"> <li>(a) (Average of the BPS measurement from all ITM QPOs)*25% + (Average of the BPS measurement from all OTM QPOs)*75%</li> <li>(b) Subtract the result from the requirement "score" of 112.50, where maximum = (150bps*25% + 100bps*75%)=112.50</li> <li>(c) This is the Member's Improvement Value (MIV)</li> </ol> </li> <li>3. Average the sum of the results in 2.c. for all Members who qualify for the Minimum Qualifications Pool</li> <li>4. Multiply the result of 3. By \$5,000 to determine the total pool size (capped at \$100,000)</li> <li>5. Distribute the pool to each Member based on their MIV on a pro-rata basis <ol style="list-style-type: none"> <li>(a) For each Qualifying Member, divide the MIV by the total of all qualifying Members' Improvement Values to determine their percentage of the pool</li> <li>(b) Multiply this result by the total pool size</li> <li>(c) The result, (capped at \$25,000 per Member) is the Member's earn-out</li> </ol> </li> </ol>

**Notes**

- a) Maximum strike range within 65%-400% of the equivalent month's future,  $F_{mth}$ . The maximum range begins with 23 business days remaining until expiry and thereafter
- b) Range will linearly tighten as expiration approaches with a minimum range of 85%-150% on the expiries last business day before roll, or 3 business days
- c) Fixed strikes that are within the percentage band will be evaluated
- d) See the following "Range table" for reference

<b>Range Table</b>			
<b><u>Remaining</u></b>	<b><u>Lower</u></b>	<b><u>Higher</u></b>	<b><u>Growth</u></b>
<b><u>Biz Days</u></b>	<b><u>Strike</u></b>	<b><u>Strike</u></b>	<b><u>Increment</u></b>
1	N/A	N/A	0.01
2	N/A	N/A	0.125
3	85%	150%	
4	84%	163%	
5	83%	175%	
6	82%	188%	
7	81%	200%	
8	80%	213%	
9	79%	225%	
10	78%	238%	
11	77%	250%	
12	76%	263%	
13	75%	275%	
14	74%	288%	
15	73%	300%	
16	72%	313%	
17	71%	325%	
18	70%	338%	
19	69%	350%	
20	68%	363%	
21	67%	375%	
22	66%	388%	
23	65%	400%	
24	65%	400%	
25	65%	400%	
26	65%	400%	
27	65%	400%	
28	65%	400%	
29	65%	400%	
30	65%	400%	
31	65%	400%	
32	65%	400%	
33	65%	400%	
34	65%	400%	
35	65%	400%	
Etc.	65%	400%	

For additional details regarding Incentives 1 and 2, please review the October 1, 2021, MIAX Options Fee Schedule posted on the MIAX website at [www.miaxoptions.com/fees](http://www.miaxoptions.com/fees).

Please contact MIAX Trading Operations at [TradingOperations@MIAXOptions.com](mailto:TradingOperations@MIAXOptions.com) or (609) 897-7302 with any questions.

Regulatory inquiries should be directed to [Regulatory@MIAXOptions.com](mailto:Regulatory@MIAXOptions.com) or (609) 897-7309.