DATE: December 6, 2012

TO: MIAX Members

FROM: MIAX Regulatory Department

RE: MIAX Option System Settings

The following is a guide to the settings to be deployed on the MIAX System.

- **Opening Pause Timer –** The System will pause for **one half second** to allow the market place to absorb this information.

- **Post Halt Notification –**The Post-Halt Notification will be broadcast **20 seconds** before trading will begin or resume after a trading system halt.

- **Opening Delay –** If, after **two minutes** following the dissemination of a quote or trade in the market for the underlying security, there are no valid width quotes in the System, the opening process can begin when one Market Maker has submitted its valid width quote.

- **Quote Relief –** Requires Regulatory Department approval to allow relief from the bid/ask differentials set forth in MIAX Rule 603(b)(4). It is configurable either globally or on a class-by-class basis.

- **Opening Imbalance Timer –** The Opening Imbalance Timer is a **one second pause**

- **Number of Imbalance Process Iterations –** The System may repeat an imbalance process **three times**.

- **Route Timer –** The Route Timer is set at **one half second**.

- **Liquidity Refresh Pause –** The Liquidity Refresh Pause is set at **one half second.**

- **Volume Mitigation -** When the size associated with a bid or offer is greater than the size of the previously disseminated bid or offer by **10% or more,** the Exchange will disseminate an updated quote with the greater size.

- **Priority Quote Width Standard** - The priority quote width standard established by the Exchange can have bid/ask differentials as narrow as one MPV, as wide but never wider than the than the bid/ask differentials outlined in Rule 603(b)(4), or somewhere in between.

- **Market Maker Quote Size** –
  o Standard Quotes have a minimum of **10 contracts**.
  o All other Market Maker quote types have a minimum size of **1 contract**.

- **Maximum Number of Order Reintroductions** - A marketable order will be automatically re-entered by the Exchange up to **200 times**

- **Pre-Opening Imbalance Timer** - The System will refresh the pre-opening imbalance message **every 5 seconds**

- **Quality Opening Market Range** – See Appendix 1.

- **Valid Opening Market Tables –**See Appendix 1.

- **Priority Quote Width Standard –** See Appendix 1.

- **Expanded Quote Range** - See Appendix 1.

For more information or questions regarding Exchange settings please contact the MIAX Trading Operations team at TradingOperations@miaxoptions.com. Please direct any rules or regulatory questions to Regulatory@miaxoptions.com.

Appendix 1

Quality Opening Market Range for Nickel-Dime Issues:			
Low end of range (bid)	High end of range (bid)	Quality Quote Width	>9 mos factor
$0.00	$1.00	$0.15	1X
$1.01	$2.00	$0.22	1X
$2.01	$3.00	$0.30	1X
$3.01	$7.00	$0.45	1X
$7.01	$10.00	$0.60	1X
$10.01	$20.00	$0.75	1X
$20.01	$30.00	$0.90	1X
$30.01	$40.00	$1.20	1X
$40.01	+	$2.25	1X

Quality Opening Market Range for Penny-Nickel Issues:			
Low end of range (bid)	High end of range (bid)	Quality Quote Width	>9 mos factor
$0.00	$1.00	$0.10	1X
$1.01	$2.00	$0.14	1X
$2.01	$3.00	$0.18	1X
$3.01	$5.00	$0.40	1X
$5.01	$7.00	$0.50	1X
$7.01	$10.00	$0.60	1X
$10.01	$15.00	$1.00	1X
$15.01	$20.00	$1.20	1X
$20.01	$30.00	$1.60	1X
$30.01	$40.00	$2.00	1X
$40.01	+	$3.00	1X

Quality Opening Market Range for All Penny Issues:			
Low end of range (bid)	High end of range (bid)	Quality Quote Width	>9 mos factor
$0.00	$.40	$0.06	1X
$.41	$1.00	$0.10	1X
$1.01	$2.00	$0.12	1X
$2.01	$3.00	$0.14	1X
$3.01	$5.00	$0.18	1X
$5.01	$7.00	$0.24	1X
$7.01	$10.00	$0.40	1X
$10.01	$15.00	$0.60	1X
$15.01	$20.00	$0.80	1X
$20.01	$30.00	$1.00	1X
$30.01	$40.00	$1.20	1X
$40.01	+	$1.60	1X

Valid Opening Markets Range for Nickel-Dime Issues:			
Low end of range (bid)	High end of range (bid)	Valid Quote Width	>9 mos factor
$0.00	$1.99	$0.25	2X
$2.00	$5.00	$0.40	2X
$5.01	$10.00	$0.50	2X
$10.01	$20.00	$0.80	2X
$20.01	+	$1.00	2X

Valid Opening Markets Range for Nickel-Dime Issues:			
Low end of range (bid)	High end of range (bid)	Valid Quote Width	>9 mos factor
$0.00	$1.99	$0.25	2X
$2.00	$5.00	$0.40	2X
$5.01	$10.00	$0.50	2X
$10.01	$20.00	$0.80	2X
$20.01	+	$1.00	2X

Valid Opening Markets Range for All Penny Issues:			
Low end of range (bid)	High end of range (bid)	Valid Quote Width	>9 mos factor
$0.00	$1.99	$0.25	2X
$2.00	$5.00	$0.40	2X
$5.01	$10.00	$0.50	2X
$10.01	$20.00	$0.80	2X
$20.01	+	$1.00	2X

Priority Quote Width Standard for Dime Issues:			
Low end of range (bid)	High end of range (bid)	Priority Quote Width	>9 mos factor
$0.00	$1.99	$0.25	2X
$2.00	$5.00	$0.40	2X
$5.01	$10.00	$0.50	2X
$10.01	$20.00	$0.80	2X
$20.01	+	$1.00	2X

Priority Quote Width Standard Valid Opening Markets Range for Penny-Nickel Issues:			
Low end of range (bid)	High end of range (bid)	Priority Quote Width	>9 mos factor
$0.00	$1.99	$0.25	2X
$2.00	$5.00	$0.40	2X
$5.01	$10.00	$0.50	2X
$10.01	$20.00	$0.80	2X
$20.01	+	$1.00	2X

Priority Quote Width Standard Valid Opening Markets Range for All Penny Issues:			
Low end of range (bid)	High end of range (bid)	Priority Quote Width	>9 mos factor
$0.00	$1.99	$0.25	2X
$2.00	$5.00	$0.40	2X
$5.01	$10.00	$0.50	2X
$10.01	$20.00	$0.80	2X
$20.01	+	$1.00	2X

Option Classes Not Included in the Penny Pilot - Expanded Quote Range for Nickel-Dime Issues:			
Low end of range (bid)	High end of range (bid)	Expanded Quote Range	Long-Term Multiplier
$0.00	$1.00	$0.05	2X
$1.01	$3.00	$0.10	2X
$3.01	$5.00	$0.20	2X
$5.01	$10.00	$0.30	2X
$10.01	$20.00	$0.50	2X
$20.01	$40.00	$0.70	2X
$40.01	+	$0.90	2X
Option Classes Included in the Penny Pilot - Expanded Quote Range for Penny-Nickel Issues:			
Low end of range (bid)	High end of range (bid)	Expanded Quote Range	Long-Term Multiplier
$0.00	$1.00	$0.05	2X
$1.01	$3.00	$0.10	2X
$3.01	$5.00	$0.20	2X
$5.01	$10.00	$0.30	2X
$10.01	$20.00	$0.50	2X
$20.01	$40.00	$0.70	2X
$40.01	+	$0.90	2X

Options Overlying SPY/IWM/QQQQ Expanded Quote Range for All Penny Issues:			
Low end of range (bid)	High end of range (bid)	Expanded Quote Range	Long-Term Multiplier
$0.00	$0.40	$0.05	2X
$0.41	$1.00	$0.07	2X
$1.01	$2.00	$0.10	2X
$2.01	$3.00	$0.15	2X
$3.01	$5.00	$0.20	2X

Options Overlying SPY/IWM/QQQQ Expanded Quote Range for All Penny Issues:			
$5.01	$10.00	$0.30	2X
$10.01	$20.00	$0.50	2X
$20.01	$40.00	$0.70	2X
$40.01	+	$0.90	2X