Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 23

Amendment No. (req. for Amendments *)

Filing by   MIAX Emerald, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
✔	☐	☐	☐	✔	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	✔ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

☐

Section 806(e)(2) *

☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document

☐

Exhibit 3 Sent As Paper Document

☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Amend Exchange Rule 518 and 515 to permit pricing of stock-option complex strategies in any decimal price the Exchange determines

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Greg   Last Name * Ziegler

Title *   Senior Counsel

E-mail *   gziegler@miaxoptions.com

Telephone *   (609) 897-1483   Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, MIAX Emerald, LLC
has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date   07/01/2022

By   Gregory P. Ziegler
        (Name *)

(Title *)

Senior Counsel

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Gregory Ziegler   Date: 2022.07.01
                     15:38:43 -04'00'

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *		
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SR-EMERALD-2022-23 19b4 202206

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *		
Add	Remove	View

SR-EMERALD-2022-23-Exhibit 1.doc

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *		
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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications		
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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐ Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire		
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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐ Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies		
Add	Remove	View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text		
Add	Remove	View

SR-EMERALD-2022-23 Exhibit 5 2022

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment		
Add	Remove	View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1.   **Text of the Proposed Rule Change**

(a) MIAX Emerald, LLC ("MIAX Emerald" or the "Exchange"), pursuant to the

provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4

thereunder,[2] proposes to amend its Rulebook to permit pricing of stock-option complex

strategies in any decimal price the Exchange determines.

Notice of the proposed rule change for publication in the Federal Register is attached

hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2.   **Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Chief Executive Officer of the Exchange

or duly appointed designee pursuant to authority delegated by the MIAX Emerald Board of

Directors on June 16, 2022. Exchange staff will advise the Board of Directors of any action

taken pursuant to delegated authority.

Questions and comments on the proposed rule change may be directed to Greg Ziegler,

Vice President and Senior Counsel, at (609) 897-1483.

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

[2]   17 CFR 240.19b-4.

3.   **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

        a.   Purpose

The Exchange proposes to amend Exchange Rule 518, Complex Orders, and Exchange Rule 515, Execution of Orders and Quotes, to permit pricing of stock-option complex strategies in any decimal price the Exchange determines. The Exchange notes that this proposal is substantively identical to a recent proposal by the MIAX Options Exchange that was noticed by the Commission.[3]

Background

In August 2019, the Exchange adopted rules governing the trading in, and detailing the functionality of the Emerald Options System[4] in the handling of complex orders on the Exchange.[5] The Exchange defines a "complex order" as any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the "legs" or "components" of the complex order), 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 purposes of executing a particular investment strategy. Mini-options may only be part of a complex order that includes other mini-options. Only those complex orders in the classes designated by the

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[3]   See Securities Exchange Act Release No. 94836 (May 3, 2022), 87 FR 27670 (May 9, 2022) (SR-MIAX-2022-17) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Exchange Rule 518, Complex Orders and Exchange Rule 515, Execution of Orders and Quotes, To Permit Pricing of Stock-Option Complex Strategies In any Decimal Price the Exchange Determines).

[4]   The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

[5]   See Securities Exchange Act Release No. 85345 (March 18, 2019), 84 FR 10848 (March 22, 2019) (SR-EMERALD-2019-13).

Exchange and communicated to Members[6] via Regulatory Circular with no more than the

applicable number of legs, as determined by the Exchange on a class-by-class basis and

communicated to Members via Regulatory Circular,[7] are eligible for processing. A Post-Only

order may not be a component of a complex order and will be rejected by the System.[8]

A complex order can also be a "stock-option order" as described further, and subject to

the limitations set forth, in Interpretation and Policy .01 of this Rule. A stock-option order is an

order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded

Fund Share ("ETF")) or a security convertible into the underlying stock ("convertible security")

coupled with the purchase or sale of options contract(s) on the opposite side of the market

representing either (i) the same number of units of the underlying security or convertible

security, or (ii) the number of units of the underlying stock necessary to create a delta neutral

position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the

total number of units of the underlying security or convertible security in the option leg to the

total number of units of the underlying security or convertible security in the stock leg. Only

those stock-option orders in the classes designated by the Exchange and communicated to

Members via Regulatory Circular with no more than the applicable number of legs as determined

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[6]   The term "Member" means an individual or organization approved to exercise the trading
        rights associated with a Trading Permit. Members are deemed "members" under the
        Exchange Act. See Exchange Rule 100.

[7]   See MIAX Emerald Regulatory Circular 2019-67, Trading of Complex Orders on MIAX
        Emerald (August 13, 2019) available at
        https://www.miaxoptions.com/sites/default/files/circular-
        files/MIAX_Emerald_RC_2019_67.pdf.

[8]   See Exchange Rule 518(a)(5).

by the Exchange on a class-by-class basis and communicated to Members via Regulatory

Circular,[9] are eligible for processing.[10]

Additionally, the Exchange offers a Complex Qualified Contingent Cross Order or

"cQCC" Order which is comprised of an originating complex order to buy or sell where each

component is at least 1,000 contracts that is identified as being part of a qualified contingent

trade, as defined in Rule 516, Interpretations and Policies .01,[11] coupled with a contra-side

complex order or orders totaling an equal number of contracts. The trading of cQCC Orders is

governed by Rule 515(h)(4).[12]

Exchange Rule 515(h)(4) currently provides that, cQCC Orders, as defined in Rule

518(b)(6), are automatically executed upon entry provided that, with respect to each option leg of

the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the

Exchange's Book; and (ii) is at or between the NBBO. The System will reject a cQCC Order if,

at the time of receipt of the cQCC Order: (i) the strategy is subject to a cPRIME Auction

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[9]   See supra note 7.

[10]   See Exchange Rule 518(a)(5).

[11]   A "qualified contingent trade" is a transaction consisting of two or more component
        orders, executed as agent or principal, where: (a) At least one component is an NMS
        Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (b) all
        components are effected with a product or price contingency that either has been agreed
        to by all the respective counterparties or arranged for by a broker-dealer as principal or
        agent; (c) the execution of one component is contingent upon the execution of all other
        components at or near the same time; (d) the specific relationship between the component
        orders (e.g., the spread between the prices of the component orders) is determined by the
        time the contingent order is placed; (e) the component orders bear a derivative
        relationship to one another, represent different classes of shares of the same issuer, or
        involve the securities of participants in mergers or with intentions to merge that have
        been announced or cancelled; and (f) the transaction is fully hedged (without regard to
        any prior existing position) as a result of other components of the contingent trade. See
        Interpretations and Polices .01 of Exchange Rule 516.

[12]   See Exchange Rule 518(b)(6).

pursuant to Rule 515A, Interpretation and Policy .12 or to a Complex Auction pursuant to Rule

518(d); or (ii) any component of the strategy is subject to a SMAT Event as described in Rule

518(a)(16). Further paragraph (A) of Exchange Rule 515(h)(4) provides that cQCC Orders will

be automatically canceled if they cannot be executed. Paragraph (B) of Exchange Rule

515(h)(4) provides that, cQCC Orders may only be entered in the minimum trading increments

applicable to complex orders under Rule 518(c)(1)(i). Paragraph (C) of Exchange Rule

515(h)(4) provides that, the Exchange will determine, on a class-by-class basis, the option

classes in which cQCC Orders are available for trading on the Exchange, and will announce such

classes to Members via Regulatory Circular.[13]

Trading of complex orders on the Exchange is governed by Exchange Rule 518, Complex

Orders. Minimum increments and trade prices for complex orders are described in current

subparagraph (i) of Rule 518(c)(1) which states, bids and offers on complex orders and quotes

may be expressed in $0.01 increments, and the component(s) of a complex order may be

executed in $0.01 increments, regardless of the minimum increments otherwise applicable to

individual components of the complex order. Current subparagraph (ii) of Exchange Rule

518(c)(1) states, if any component of a complex strategy would be executed at a price that is

equal to a Priority Customer[14] bid or offer on the Simple Order Book,[15] at least one other

component of the complex strategy must trade at a price that is better than the corresponding

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[13]   See Exchange Rule 515(h)(4).

[14]   The term "Priority Customer" means a person or entity that (i) is not a broker or dealer in
         securities, and (ii) does not place more than 390 orders in listed options per day on
         average during a calendar month for its own beneficial account(s). See Exchange Rule
         100.

[15]   The term "Simple Order Book" is the Exchange's regular electronic book of orders and
         quotes. See Exchange Rule 518(a)(15).

EBBO.[16] Current subparagraph (iii) of Exchange Rule 518(c)(1) states, a complex order will not

be executed at a net price that would cause any component of the complex strategy to be

executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order

Book without improving the EBBO of at least one component of the complex strategy. Current

subparagraph (iv) of Exchange Rule 518(c)(1) states, a complex order or eQuote (as defined in

Interpretation and Policy .02 of this Rule) will not be executed at a price that is outside of its

MPC Price (as defined in Interpretation and Policy .05(f) of this Rule) or its limit price.

Proposal

The Exchange now proposes to (i) amend its rule pertaining to the pricing of complex

orders to permit the pricing of stock-option complex strategies in any decimal price the

Exchange determines; and (ii) make additional changes to the Exchange's rulebook necessary to

support the implementation of the proposed pricing structure. The Exchange notes that its

proposal is substantively identical to a recent proposal made by the Exchange's affiliate, MIAX

Options.[17]

Rule 518 Complex Orders

Specifically, the Exchange proposes to amend subsection (c)(1) Minimum Increments

and Trade Prices of Rule 518, to adopt new paragraph (ii), and to renumber current paragraph

(c)(1)(ii) as paragraph (c)(1)(iii). New paragraph (c)(1)(ii) will provide that, bids and offers on

complex orders, quotes, and RFR Responses for stock-option complex strategies (including a

cQCC Order entered with a stock component) may be expressed in any decimal price the

Exchange determines. The option component(s) of such a complex order may be executed in

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[16]   The term "EBBO" means the best bid or offer on the Simple Order Book on the
         Exchange. See Exchange Rule 518(a)(10).

[17]   See supra note 3.

$0.01 increments, regardless of the minimum increments otherwise applicable to individual

components of the complex order, and the stock component of such a complex order may be

executed in any decimal price permitted in the equity market. The Exchange notes that its

proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[18] Minimum

increments less than $0.01 are appropriate for stock-option orders as the stock component can

trade at finer decimal increments permitted by the equity market. Furthermore, the Exchange

notes that even with the flexibility provided in the proposed rule, the individual options and stock

legs must trade at increments allowed by the Commission in the options and equities markets.

To support the pricing of stock-option orders in any decimal price the Exchange

determines, the Exchange is proposing to make a number of conforming changes throughout its

Rulebook to clearly differentiate pricing and support of complex strategies with only option

components, (which remains unchanged under this proposal in $0.01 increments), and pricing

and support of stock-option complex strategies which may be in sub-penny increments, as

determined by the Exchange. The Exchange notes that the proposed changes described herein

are substantively identical to changes made by the Exchange's affiliate, MIAX Options.[19]

Therefore, the Exchange proposes to make a minor conforming change to the rule text of

current paragraph (c)(1)(ii) of Rule 518, which will be renumbered as paragraph (c)(1)(iii). The

current rule text states that, if any component of a complex strategy would be executed at a price

that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one other

component of the complex strategy must trade at a price that is better than the corresponding

EBBO. The Exchange now proposes to amend the rule to add additional detail and specificity by

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[18]   See MIAX Options Exchange Rule 518(c)(1)(ii).

[19]   See supra note 3.

stating that, if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one other **option** component of the complex strategy must trade at a price that is better than the corresponding EBBO. The Exchange believes that clarifying that the component of the complex strategy must be an option component adds additional detail to the rule and makes it clear in the Exchange's rules that a Priority Customer bid or offer must be improved by at least $0.01 by the option component of either a complex strategy with only option components or the option component of a stock-option complex strategy. The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[20]

Additionally, the Exchange proposes to amend paragraph (i) of subsection (c)(1), Minimum Increments and Trade Prices, of Exchange Rule 518, to add additional detail and clarity to the rule text. Currently, the rule provides that, bids and offers on complex orders and quotes may be expressed in $0.01 increments, and the component(s) of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. The Exchange now proposes to amend the rule text to provide that, bids and offers on complex orders, quotes, and RFR Responses for complex strategies having only option components may be expressed in $0.01 increments, and the component(s) of such a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[21]

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[20]   See MIAX Options Exchange Rule 518(c)(1)(iii).

[21]   See MIAX Options Exchange Rule 518(c)(1)(i).

Paragraph (c)(1)(i) pertains to complex strategies that have only option components (as opposed to paragraph (c)(1)(ii) which pertains to stock-option complex strategies) and therefore provides that bids, offers, and RFR Responses for complex strategies having only option components may be expressed in $0.01 increments. The Exchange believes this change is necessary to differentiate between which strategies are required to be priced in $0.01 increments (complex strategies having only option components) and which strategies may be priced in an increment other than $0.01 (stock-option complex strategies). The Exchange believes this amendment provides additional detail and clarity regarding the pricing of complex strategies having only option components, which is not changing under this proposal.

The Exchange also proposes to amend the rule text of current paragraph (c)(1)(iii) of Rule 518 to make two minor conforming changes and to renumber the paragraph as new paragraph (c)(1)(iv). Currently, the rule states that, a complex order will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the EBBO of at least one component of the complex strategy. The Exchange now proposes to add additional detail and specificity to the rule to state that, a complex order will not be executed at a net price that would cause any **option** component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the EBBO of at least one **option** component of the complex strategy.[22] The Exchange believes that clarifying that the component of the complex strategy must be an option component adds additional detail and clarity to the rule. The Exchange also proposes to make a non-

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[22]   The Exchange also proposes to make an identical conforming change to paragraph (d)(6) of Rule 518 that is identical to MIAX Options Exchange Rule 518(d)(6).

substantive change to existing paragraph (c)(1)(iv) to renumber the paragraph as (c)(1)(v). The

Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX

Options.[23]

The Exchange proposes to amend subparagraph (i) of section (c)(4), Managed Interest

Process for Complex Orders, of Rule 518 to add additional detail and clarity to the rule text. The

managed interest process for complex orders ensures that a complex order will never be executed

at a price that is through the individual component prices on the Simple Order Book.

Currently, the rule provides that, when the opposite side icEBBO[24] includes a Priority

Customer Order, the System will book and display such booked complex order on the Strategy

Book[25] at a price (the "book and display price") that is $0.01 away from the current opposite side

icEBBO. The Exchange proposes to amend the rule text to provide that, when the opposite side

icEBBO includes a Priority Customer Order, the System will book and display such booked

complex order on the Strategy Book at a price (the "book and display price") such that at least

one option component is priced $0.01 away from the current opposite side EBBO. The EBBO is

comprised of the best bid and the best offer on the Simple Order Book on the Exchange.[26]

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[23]   See MIAX Options Exchange Rule 518(c)(1)(iv).

[24]   The icEBBO is a calculation that uses the best price from the Simple Order Book for each
         component of a complex strategy including displayed and non-displayed trading interest.
         For stock-option orders, the icEBBO for a complex strategy will be calculated using the
         best price (whether displayed or non-displayed) on the Simple Order Book in the
         individual option component(s), and the NBBO in the stock component. See Exchange
         Rule 518(a)(12).

[25]   The "Strategy Book" is the Exchange's electronic book of complex orders and complex
         quotes. See Exchange Rule 518(a)(17).

[26]   See supra note 16.

This change supports the proposed change to 518(c)(1)(iii) which provides that if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one option component of the complex strategy must trade at a price that is better than the corresponding EBBO. Together, these changes ensure that no complex strategy (either a complex strategy with only option components or a stock-option complex strategy) will execute ahead of a Priority Customer order on the Simple Order Book without improving the EBBO of at least one option component of the complex strategy by at least $0.01.[27] The Exchange believes this change provides additional detail and clarity regarding the managed interest process for complex strategies with only option components and for stock-option complex strategies, and harmonizes the rule text to the System behavior. The Exchange notes that its proposed rule text is substantively identical to that of the Exchange's affiliate, MIAX Options.[28]

The Exchange proposes to amend paragraph (d)(4), RFR Response, of Rule 518 to make a conforming change to the rule necessary to support pricing of stock-option complex strategies in any decimal price determined by the Exchange. Currently, Rule 518(d)(4) provides that, RFR responses may be submitted in $0.01 increments. The Exchange proposes to amend this provision to provide that RFR Responses may be submitted in the increments defined in proposed subparagraphs (c)(1)(i) and (c)(1)(ii) of this Rule. This proposed change is consistent with the proposed change to Rule 518(c)(1), Minimum Increments and Trade Prices, as described above, and aligns the pricing of complex strategies with only option components in $0.01, which is not changing under this proposal, and the pricing of complex strategies with a

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[27]   See Exchange Rule 518(c)(1)(iv) as proposed herein.

[28]   See MIAX Options Exchange Rule 518(c)(4)(i) (The MIAX Options Exchange's rule text references the MBBO whereas the proposed rule text references the EBBO).

stock component in any decimal price the Exchange determines as proposed herein. RFR

responses submitted for a complex strategy having only option components may be expressed in

$0.01 increments as proposed in subparagraph (c)(1)(i), whereas RFR responses submitted for a

stock-option complex strategy may be expressed in any decimal price the Exchange determines

as proposed in subparagraph (c)(1)(ii). This change aligns RFR responses for complex strategies

with only option components to the current price interval for complex orders of $0.01, which is

not changing under this proposal, and aligns the pricing interval for stock-option complex

strategies with the proposed change discussed herein to be in any decimal price as determined by

the Exchange.[29] The Exchange notes that its proposed rule text is identical to that of the

Exchange's affiliate, MIAX Options.[30]

The Exchange proposes to amend paragraph (d)(6)(i) of Rule 518 to add additional detail

and clarity to the operation of the rule necessary to support pricing of stock-option complex

strategies in sub-penny increments and clarify that the pricing and processing of complex

strategies with only option components will remain unchanged under this proposal. Currently,

the rule states that, at the conclusion of the Response Time Interval, Complex Auction-eligible

orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) of Rule

518:[31] (i) Using $0.01 inside the current icEBBO as the boundary (the "boundary"), the System

will calculate the price where the maximum quantity of contracts can trade and also determine

whether there is an imbalance.[32]

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[29]   The Exchange also proposes to make an identical conforming change to Rule 518(e) for
        cLEP Responses that is identical to MIAX Options Exchange Rule 518(e), Responses.

[30]   See MIAX Options Exchange Rule 518(d)(4).

[31]   See Exchange Rule 518(d)(6).

[32]   See Exchange Rule 518(d)(6)(i).

The Exchange now proposes to amend the rule text to state that, at the conclusion of the Response Time Interval, Complex Auction-eligible orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) of Rule 518: (i) Using $0.01 inside the current icEBBO for complex strategies with only option components or using a decimal price increment (as determined by the Exchange) inside the current icEBBO for stock-option complex strategies as the boundary (the "boundary"), the System will calculate the price where the maximum quantity of contracts can trade and also determine whether there is an imbalance. This proposed change is consistent with the proposed change to Rule 518(c)(1), Minimum Increments and Trade Prices, as described above and allows the Exchange to accurately calculate prices for stock-option complex strategies. Using the same pricing increments that each complex strategy is priced in ($0.01 for complex strategies with only option components and the decimal price increment as determined by the Exchange for stock-option complex strategies) ensures that there are no calculation or rounding errors which ensures the accuracy and integrity of the Exchange's price calculations and the System's determination of the price where the maximum quantity of contracts can trade and also the System's determination of an imbalance. The Exchange believes this change adds additional detail and clarity to the rule, by clarifying current behavior as it relates to complex strategies with only option components and facilitates the proposed change to permit pricing of complex strategies with an option component in any decimal price the Exchange determines. The Exchange notes that its proposed rule text is substantively identical to that of the Exchange's affiliate, MIAX Options.[33]

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[33]   See MIAX Options Exchange Rule 518(d)(6)(i) (MIAX Options Exchange's rule text references the icMBBO whereas the proposed rule text references the icEBBO).

The Exchange proposes to amend paragraph (d)(6)(i)(A)2.a. of Rule 518 to provide for

calculations in $0.01 increments to support complex strategies with only option components and

to provide for calculations in any decimal price increment as determined by the Exchange to

support stock-option complex strategies. Currently, the rule provides that, if the midpoint price

is not in a $0.01 increment, the System will round toward the midpoint of the dcEBBO[34] to the

nearest $0.01. The Exchange now proposes to amend the rule text to state that, for complex

strategies with only option components if the midpoint price is not in a $0.01 increment, the

System will round toward the midpoint of the dcEBBO to the nearest $0.01; for stock-option

complex strategies, if the midpoint price is not in a decimal price increment as determined by the

Exchange, the System will round toward the midpoint of the dcEBBO to the nearest decimal

price increment as determined by the Exchange. The Exchange notes that its proposed rule text

is substantively identical to that of the Exchange's affiliate, MIAX Options.[35]

Similarly, the Exchange also proposes to amend paragraph (d)(6)(i)(A)2.b. of Rule 518 to

provide for calculations in $0.01 increments to support complex strategies with only option

components and to provide for calculations in any decimal increment as determined by the

Exchange to support stock-option complex strategies. Currently, the rule provides that if the

midpoint of the highest and lowest prices is also the midpoint of the dcEBBO and is not in a

$0.01 increment the System will round the price up to the next $0.01 increment. The Exchange

now proposes to amend the rule text to state that, if the midpoint of the highest and lowest prices

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[34]   The dcEBBO is calculated using the best displayed price for each component of a
         complex strategy from the Simple Order Book. For stock-option orders, the dcEBBO for
         a complex strategy will be calculated using the Exchange's best displayed bid or offer in
         the individual option component(s) and the NBBO in the stock component. See
         Exchange Rule 518(a)(8).

[35]   See MIAX Options Exchange Rule 518(d)(6)(i)(A)2.a. (MIAX Options Exchange's rule
         text references the dcMBBO whereas the proposed rule text references the dcEBBO).

is also the midpoint of the dcEBBO and is not in a $0.01 increment for complex strategies with only option components or in a decimal price increment as determined by the Exchange for stock-option complex strategies, the System will round the price up to the next $0.01 increment for complex strategies with only option components or to a decimal price increment as determined by the Exchange for stock-option complex strategies The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[36]

To properly perform the internal calculations described in Exchange Rule 518(d)(6)(i)(A)2.a. and b. correctly it is imperative that the decimal increment being used in the calculation properly aligns to the decimal quoting increment being used on the Exchange for that strategy, be it for complex strategies with only option components or stock-option complex strategies. Using the appropriate decimal increment that the strategy is priced in ($0.01 for complex strategies with only option components or any decimal price as determined by the Exchange for stock-option complex strategies) ensures that the Exchange accurately calculates the auction start price to the proper decimal precision for either complex strategies with only option components (which may only be in $0.01 increments) or stock-option complex strategies (which may be in any price increment as determined by the Exchange). The Exchange believes these changes provide additional detail and clarification regarding the differentiation in calculations for complex strategies with only option components that are priced in $0.01 increments, which remains unchanged under this proposal, and calculations for stock-option complex strategies, which may be priced in increments other than $0.01. This change is necessary to support the proposed change discussed herein to price stock-option strategies in any

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[36]   See MIAX Options Exchange Rule 518(d)(6)(i)(A)2.b.

decimal price increment as determined by the Exchange. The Exchange notes that its proposed

rule text is substantively identical to that of the Exchange's affiliate, MIAX Options.[37]

Rule 515 Execution of Orders and Quotes

Customer to Customer Cross Orders

The Exchange proposes to amend paragraph (h), Crossing Orders, of Rule 515, to clarify

that Complex Customer Cross ("cC2C") pricing is not changing under this proposal. Currently,

subparagraph (B) of paragraph (3), of Rule 515(h), Complex Customer Cross ("cC2C") Orders

provides that cC2C Orders[38] may only be entered in the minimum trading increments applicable

to complex orders under Rule 518(c)(1)(i). Current Rule 518(c)(1)(i) provides that the minimum

trading increments applicable to complex orders is $0.01.[39] The Exchange proposes to amend

subparagraph (B) to state that, cC2C Orders may only be entered in minimum trading increments

of $0.01. The Exchange notes that its proposed rule text is identical to that of the Exchange's

affiliate, MIAX Options.[40]

Complex Qualified Contingent Cross Orders

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[37]   See MIAX Options Exchange Rule 518(d)(6)(i) (MIAX Options Exchange's rule text references the icMBBO whereas the proposed rule text references the icEBBO).

[38]   A Complex Customer Cross or "cC2C" Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity. Trading of cC2C Orders is governed by Rule 515(h)(3). See Exchange Rule 518(b)(5).

[39]   Bids and offers on complex orders and quotes may be expressed in $0.01 increments, and the component(s) of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. See Exchange Rule 518(c)(1)(i).

[40]   See MIAX Options Exchange Rule 515(h)(3)(B).

cQCC Orders[41] may be entered into the Exchange's System with a stock component or without the stock component. To support and facilitate the pricing proposal for stock-option strategies as proposed herein, a cQCC entered without the stock component will be treated as a complex strategy with only option components for pricing purposes (pricing in $0.01 increments only), whereas a cQCC entered with the stock component will be treated as a complex strategy with a stock component under the Exchange's new quoting structure as proposed herein. Therefore, the Exchange proposes to amend subparagraph (B) of paragraph (4), Complex Qualified Contingent Cross ("cQCC") Orders to provide that cQCC Orders may only be entered in the minimum trading increments applicable to complex orders under proposed Rule 518(c)(1)(i) or 518(c)(1)(ii) if the cQCC Order includes the stock component upon entry. The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[42]

Additionally, the Exchange proposes to adopt new subparagraph (D) to paragraph (4) of Rule 515(h) to provide a more fulsome description of cQCC Order handling of a cQCC Order entered without the stock component and a cQCC Order entered with the stock component. New subparagraph (D) will provide that, a cQCC Order may be entered with or without the stock component. A cQCC Order entered without the stock component will be treated as a complex strategy with only option components. A cQCC Order entered with the stock component shall be subject to Rule 518.01. A Member that submits a cQCC Order to the Exchange (with or without

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[41]   A Complex Qualified Contingent Cross or "cQCC" Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01, coupled with a contra-side complex order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(h)(4). See Exchange Rule 518(b)(6).

[42]   See MIAX Options Exchange Rule 515(h)(4)(B).

the stock component) represents that such order satisfies the requirements of a qualified

contingent trade (as described in Interpretations and Policies .01 of Rule 516) and agrees to

provide information to the Exchange related to the execution of the stock component as

determined by the Exchange and communicated via Regulatory Circular.[43] The Exchange notes

that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[44]

Implementation Date

The Exchange plans to implement the proposed rule change at the end of Q3, 2022, or

early Q4 of 2022, and will announce the implementation date to its Members via Regulatory

Circular.

b.   Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the

Act[45] in general, and furthers the objectives of Section 6(b)(5) of the Act[46] 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

regulating, clearing, settling, processing information with respect to, and facilitating transactions

in securities, to remove impediments to and perfect the mechanisms of a free and open market

and a national market system and, in general, to protect investors and the public interest.

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[43]   See proposed Rule 515(h)(4)(D) and see also MIAX Emerald Regulatory Circular 2019-66, Regulatory Requirements when entering a Qualified Contingent Cross Order ("QCC") or a Complex Qualified Contingent Cross Order ("cQCC") (August 13, 2019) available at: https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Emerald_RC_2019_66.pdf.

[44]   See MIAX Options Exchange Rule 515(h)(4)(D).

[45]   15 U.S.C. 78f(b).

[46]   15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change benefits investors and promotes just and equitable principles of trade because it provides investors with the ability to price stock-option complex strategies with greater precision.[47] This provides investors with greater opportunities for execution as it allows for more accurate pricing of stock-option complex strategies. The net price of a complex strategy with a stock component may result in a price that is accurately expressed in a finer decimal increment than $0.01 as a result of the stock ratio being used.

Example 1 Stock-Option Complex Strategy

> The current market is:
> EBBO XYZ Jan 15 Put 0.95 (10) x 1.00 (10)
> NBBO XYZ Stock 20.00 (100) x 20.01 (100)
>
> Customer strategy:
> A customer order to Buy 1 XYZ Jan 15 Put and Buy 33 Shares of XYZ is received. The customer would like to pay $1.00 for the option and pay $20.01 for the stock for a net price $7.6033 as per the calculation of the strategy market below.
>
> The market for the Strategy is:
> Strategy Bid = (Option Bid * Option Ratio) + (Stock Bid * Stock Ratio/100)
> Strategy Bid = (0.95 * 1) + (20.00 * .33)
> Strategy Bid = 7.5500
>
> Strategy Ask = (Option Ask * Option Ratio) + (Stock Ask * Stock Ratio/100)
> Strategy Ask = (1.00 * 1) + (20.01 * .33)
> Strategy Ask = 7.6033
>
> Strategy market = 7.5500 x 7.6033
>
> As the Exchange does not support stock option strategies priced in four decimal increments this strategy would be sent to a venue that supports four decimal pricing for execution.

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[47]   The Exchange notes that other options exchanges permit stock-option orders to be priced in decimal increments. See Cboe Options Rule 5.33(f)(i)(B), Nasdaq ISE Options 3, Section 14(c)(1), Cboe EDGX Rule 21.20(f)(1)(B); and MIAX Options Exchange Rule 518(c)(1)(ii).

Under the Exchange's proposal to permit stock-option complex strategies to be expressed in any decimal price as determined by the Exchange, if the Exchange determines to price stock-option complex strategies in $0.0001 increments, the above strategy could be placed on the Exchange's Strategy Book at its calculated net price. The customer who would like to pay $1.00 for the option and pay $20.01for the stock can now pay $1.00 for the option and pay $20.01 for the stock for a net price of $7.6033 as per the calculation above.

Pricing stock-option complex strategies in sub-penny increments permits more precision pricing and allows for complex strategies with a stock component to be effectively traded on the Exchange. Currently, firms that wish to execute these types of strategies will not send them to the MIAX Emerald Exchange due to the current System limitation which constrains the price to two decimal places, whereas the strategy may be more precisely priced in sub-penny increments on exchanges that permit sub-penny pricing of stock-option complex strategies to four decimal places.[48]

Further, the Exchange believes that the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by offering similar functionality to Members that can be found on other competing option exchanges.[49] Competition benefits investors by providing investors an additional venue to choose from when making order routing decisions.

Additionally, the Exchange believes its proposal to leave Complex Customer Cross Order functionality unchanged promotes just and equitable principles of trade, removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, to protects investors and the public interest. A Complex Customer Cross Order is

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[48]   See id.

[49]   See id.

comprised of one Priority Customer complex order to buy and one Priority Customer complex

order to sell at the same price and for the same quantity.[50] Complex Customer Cross Orders are

not exposed to the marketplace and are executed upon entry, provided that the execution is at

least $0.01 better than the icEBBO, or the best net price of a complex order on the Strategy

Book, whichever is more aggressive.[51] The Exchange believes that requiring a minimum

improvement of $0.01 benefits investors and the public interest as it is not a de minimis price

improvement amount. Further, the Exchange does not believe that Members on the Exchange

are disadvantaged in any way by not being able to execute Complex Customer Cross Orders with

a stock component in a sub-penny interval, as Members may use the cQCC Order type for stock-

option complex strategies, or expose their stock-option complex strategy order to the market via

the Exchange's cPRIME for price improvement in sub-penny increments.

To support the pricing of stock-option orders in any decimal price the Exchange

determines, the Exchange is proposing to make a number of non-substantive conforming changes

throughout its rules to clearly differentiate pricing and support of complex strategies with only

option components, (which remains unchanged under this proposal in $0.01 increments), and

pricing and support of stock-option complex strategies, which may be in any decimal price the

Exchange determines. The Exchange believes that its proposed non-substantive changes to add

additional detail and clarity to the Exchange's rulebook benefits investors and the public interest

as it provides transparency and eliminates the potential for confusion regarding the operation of

the Exchange's rules.

4.   **Self-Regulatory Organization's Statement on Burden on Competition**

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[50]   See Exchange Rule 518(b)(2)(d).

[51]   See Exchange Rule 515(h)(3).

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 does not believe that its proposal will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Members of the Exchange that transact stock-option complex strategies will be able to price stock-option complex strategies in more precise increments.

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that its proposal may benefit inter-market competition as other competing option exchanges offer similar price precision for stock-option complex strategies.[52]

Additionally, the non-substantive changes proposed by the Exchange will have no impact on competition as they provide additional clarity and detail in the Exchange's rules and are not changes made for any competitive purpose.

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[52]   See CboeEDGX Exchange Rule 21.20(f)(1)(B) which provides that Users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The option leg(s) of a stock-option order may be executed in $0.01 increments, regardless of minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market; and Cboe Exchange Rule 5.33(f)(1)(B) which similarly provides that Users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The minimum increment for the option leg(s) of a stock-option order is $0.01 or greater, which the Exchange may determine on a class-by-class basis, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market. See also Tradedesk Updates, Cboe Options Exchange Announces Support for QCC with an Equity Leg and Improved Pricing Precision on Complex Orders with an Equity Leg (March 2, 2018) (allowing a price with four decimal places on all complex orders that include a stock leg and that are routed for electronic trading) available at https://cdn.cboe.com/resources/release_notes/2018/QCC-w-equity-leg-and-CPS-4-digit-decimal.pdf; See also MIAX Options Exchange Rule 518(c)(1)(ii).

5.   **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.

6.   **Extension of Time Period for Commission Action**

         Not applicable.

7.   **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated**
         Effectiveness Pursuant to Section 19(b)(2)

         Pursuant to Section 19(b)(3)(A) of the Act[53] and Rule 19b-4(f)(6)[54] thereunder, the

Exchange has designated this proposal as one that effects a change that: (i) does not significantly

affect the protection of investors or the public interest; (ii) does not impose any significant

burden on competition; and (iii) by its terms, does not become operative for 30 days after the

date of the filing, or such shorter time as the Commission may designate if consistent with the

protection of investors and the public interest.

         The Exchange does not believe that its proposal to price stock-option strategies in any

increment determined by the Exchange significantly affects the protection of investors or the

public interest, conversely, the Exchange believes its proposal benefits investors and the public

interest as the Exchange is offering similar functionality that is offered on other competing

options exchanges,[55] and functionality that is identical to the Exchange's affiliate, MIAX

Options.[56] The proposed rule change will not significantly affect the protection of investors or

the public interest because it does not propose to implement new or unique functionality that has

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[53]   15 U.S.C. 78s(b)(3)(A).

[54]   17 CFR 240.19b-4(f)(6).

[55]   See supra note 47.

[56]   See MIAX Options Exchange Rule 518(c)(1)(ii).

not been previously filed with the Commission, found to be inconsistent with the Act, or is not

available on other exchanges.

Additionally, the Exchange's proposal to make conforming changes to support stock-

option pricing in any decimal price determined by the Exchange promotes the protection of

investors and the public interest as it ensures that complex strategies with only option

components are priced in $0.01 increments and stock-option strategies priced in the decimal

price determined by the Exchange are handled appropriately for all Exchange processes which

require precision calculation to the appropriate decimal position. Additionally, the conforming

changes ensure RFR and cLEP Responses are priced in the proper increment as RFR Responses

and cLEP Responses for complex strategies with only option components are priced in $0.01

increments, and RFR Responses and cLEP Responses for stock-option complex strategies may

be priced in the decimal price determined by the Exchange. The Exchange notes that the

proposed changes are identical to change adopted by the Exchange's affiliate, MIAX Options.[57]

The Exchange's proposal to distinguish the handling of cQCC Orders submitted to the

Exchange with, or without, the stock component, promotes the protection of investors and the

public interest by clearing describing the handling process for cQCC Orders. Additionally, the

Exchange's proposed additional rule text for cQCC Order processing promotes the protection of

investors and the public interest by codifying in the Exchange's rules that there are additional

reporting requirements that must be satisfied by Members that submit cQCC Orders (with or

without the stock component) to the Exchange. It is the best interest of investors and the public

for rules to be clear and transparent so as to avoid the potential for confusion. The Exchange

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[57]   See MIAX Options Exchange Rule 518(d)(4) and 518(e), respectively.

notes that the proposed change is identical to a change adopted by the Exchange's affiliate,

MIAX Options.[58] The Exchange's decision to leave Complex Customer Cross "cC2C" Orders

unchanged under this proposal does not impact the protection of investors or the public interest

as cC2C Order handling is not changing under this proposal, and investors may still use cC2C

Orders in the same fashion as prior to this proposal to satisfy their business and trading

objectives. The Exchange notes that its handling of cC2C Orders is identical to that of the

Exchange's affiliate, MIAX Options.[59]

The Exchange does not believe that its proposal imposes a significant burden on

competition as other option exchanges offer similar functionality,[60] but rather improves

competition by offering similar functionality as other competing options exchanges thereby

providing investors multiple venues to choose from when making order routing decisions.

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written

notice of its intent to file 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. Furthermore, a proposed rule change filed pursuant to

Rule 19b-4(f)(6) under the Act[61] normally does not become operative for 30 days after the date

of its filing.

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

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58   See MIAX Options Exchange Rule 515(h)(4)(D).

59   See MIAX Options Exchange Rule 515(h)(3)(B).

60   See supra note 33.

61   17 CFR 240.19b-4.

action is necessary or appropriate in the public interest, for the protection of investors, or

otherwise in furtherance of the purposes of the Act.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The Exchange's proposal is identical to a recent proposal made by the Exchange's

affiliate, the MIAX Options Exchange, and noticed by the Commission on May 3, 2022.[62]

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

11. **Exhibits**

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

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[62]   See supra note 3.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-EMERALD-2022-23)

July__, 2022

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX Emerald, LLC to amend Exchange Rule 518, Complex Orders, and Exchange Rule 515, Execution of Orders and Quotes, to Permit Pricing of Stock-option Complex Strategies in any Decimal Price the Exchange Determines

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on July 1, 2022, MIAX Emerald, LLC ("MIAX Emerald" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I, II, and III 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 amend its Rulebook to permit pricing of stock-option complex strategies in any decimal price the Exchange determines.

The text of the proposed rule change is available on the Exchange's website at

http://www.miaxoptions.com/rule-filings/emerald at MIAX Emerald's principal office, and at the Commission's Public Reference Room.

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 Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on

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

[2]   17 CFR 240.19b-4.

the proposed rule change. The text of these statements may be examined at the places specified

in Item IV below. The Exchange 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 Exchange proposes to amend Exchange Rule 518, Complex Orders, and Exchange

Rule 515, Execution of Orders and Quotes, to permit pricing of stock-option complex strategies

in any decimal price the Exchange determines. The Exchange notes that this proposal is

substantively identical to a recent proposal by the MIAX Options Exchange that was noticed by

the Commission.[3]

Background

In August 2019, the Exchange adopted rules governing the trading in, and detailing the

functionality of the Emerald Options System[4] in the handling of complex orders on the

Exchange.[5] The Exchange defines a "complex order" as any order involving the concurrent

purchase and/or sale of two or more different options in the same underlying security (the "legs"

or "components" of the complex order), 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 purposes of

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[3]   See Securities Exchange Act Release No. 94836 (May 3, 2022), 87 FR 27670 (May 9, 2022) (SR-MIAX-2022-17) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Exchange Rule 518, Complex Orders and Exchange Rule 515, Execution of Orders and Quotes, To Permit Pricing of Stock-Option Complex Strategies In any Decimal Price the Exchange Determines).

[4]   The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

[5]   See Securities Exchange Act Release No. 85345 (March 18, 2019), 84 FR 10848 (March 22, 2019) (SR-EMERALD-2019-13).

executing a particular investment strategy. Mini-options may only be part of a complex order

that includes other mini-options. Only those complex orders in the classes designated by the

Exchange and communicated to Members[6] via Regulatory Circular with no more than the

applicable number of legs, as determined by the Exchange on a class-by-class basis and

communicated to Members via Regulatory Circular,[7] are eligible for processing. A Post-Only

order may not be a component of a complex order and will be rejected by the System.[8]

A complex order can also be a "stock-option order" as described further, and subject to

the limitations set forth, in Interpretation and Policy .01 of this Rule. A stock-option order is an

order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded

Fund Share ("ETF")) or a security convertible into the underlying stock ("convertible security")

coupled with the purchase or sale of options contract(s) on the opposite side of the market

representing either (i) the same number of units of the underlying security or convertible

security, or (ii) the number of units of the underlying stock necessary to create a delta neutral

position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the

total number of units of the underlying security or convertible security in the option leg to the

total number of units of the underlying security or convertible security in the stock leg. Only

those stock-option orders in the classes designated by the Exchange and communicated to

Members via Regulatory Circular with no more than the applicable number of legs as determined

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[6]   The term "Member" means an individual or organization approved to exercise the trading
        rights associated with a Trading Permit. Members are deemed "members" under the
        Exchange Act. See Exchange Rule 100.

[7]   See MIAX Emerald Regulatory Circular 2019-67, Trading of Complex Orders on MIAX
        Emerald (August 13, 2019) available at
        https://www.miaxoptions.com/sites/default/files/circular-
        files/MIAX_Emerald_RC_2019_67.pdf.

[8]   See Exchange Rule 518(a)(5).

by the Exchange on a class-by-class basis and communicated to Members via Regulatory

Circular,[9] are eligible for processing.[10]

Additionally, the Exchange offers a Complex Qualified Contingent Cross Order or

"cQCC" Order which is comprised of an originating complex order to buy or sell where each

component is at least 1,000 contracts that is identified as being part of a qualified contingent

trade, as defined in Rule 516, Interpretations and Policies .01,[11] coupled with a contra-side

complex order or orders totaling an equal number of contracts. The trading of cQCC Orders is

governed by Rule 515(h)(4).[12]

Exchange Rule 515(h)(4) currently provides that, cQCC Orders, as defined in Rule

518(b)(6), are automatically executed upon entry provided that, with respect to each option leg of

the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the

Exchange's Book; and (ii) is at or between the NBBO. The System will reject a cQCC Order if,

at the time of receipt of the cQCC Order: (i) the strategy is subject to a cPRIME Auction

pursuant to Rule 515A, Interpretation and Policy .12 or to a Complex Auction pursuant to Rule

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[9]   See supra note 7.

[10]   See Exchange Rule 518(a)(5).

[11]   A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where: (a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (c) the execution of one component is contingent upon the execution of all other components at or near the same time; (d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade. See Interpretations and Polices .01 of Exchange Rule 516.

[12]   See Exchange Rule 518(b)(6).

518(d); or (ii) any component of the strategy is subject to a SMAT Event as described in Rule

518(a)(16). Further paragraph (A) of Exchange Rule 515(h)(4) provides that cQCC Orders will

be automatically canceled if they cannot be executed. Paragraph (B) of Exchange Rule

515(h)(4) provides that, cQCC Orders may only be entered in the minimum trading increments

applicable to complex orders under Rule 518(c)(1)(i). Paragraph (C) of Exchange Rule

515(h)(4) provides that, the Exchange will determine, on a class-by-class basis, the option

classes in which cQCC Orders are available for trading on the Exchange, and will announce such

classes to Members via Regulatory Circular.[13]

Trading of complex orders on the Exchange is governed by Exchange Rule 518, Complex

Orders. Minimum increments and trade prices for complex orders are described in current

subparagraph (i) of Rule 518(c)(1) which states, bids and offers on complex orders and quotes

may be expressed in $0.01 increments, and the component(s) of a complex order may be

executed in $0.01 increments, regardless of the minimum increments otherwise applicable to

individual components of the complex order. Current subparagraph (ii) of Exchange Rule

518(c)(1) states, if any component of a complex strategy would be executed at a price that is

equal to a Priority Customer[14] bid or offer on the Simple Order Book,[15] at least one other

component of the complex strategy must trade at a price that is better than the corresponding

EBBO.[16] Current subparagraph (iii) of Exchange Rule 518(c)(1) states, a complex order will not

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[13]   See Exchange Rule 515(h)(4).

[14]   The term "Priority Customer" means a person or entity that (i) is not a broker or dealer in
          securities, and (ii) does not place more than 390 orders in listed options per day on
          average during a calendar month for its own beneficial account(s). See Exchange Rule
          100.

[15]   The term "Simple Order Book" is the Exchange's regular electronic book of orders and
          quotes. See Exchange Rule 518(a)(15).

[16]   The term "EBBO" means the best bid or offer on the Simple Order Book on the
          Exchange. See Exchange Rule 518(a)(10).

be executed at a net price that would cause any component of the complex strategy to be

executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order

Book without improving the EBBO of at least one component of the complex strategy. Current

subparagraph (iv) of Exchange Rule 518(c)(1) states, a complex order or eQuote (as defined in

Interpretation and Policy .02 of this Rule) will not be executed at a price that is outside of its

MPC Price (as defined in Interpretation and Policy .05(f) of this Rule) or its limit price.

Proposal

The Exchange now proposes to (i) amend its rule pertaining to the pricing of complex

orders to permit the pricing of stock-option complex strategies in any decimal price the

Exchange determines; and (ii) make additional changes to the Exchange's rulebook necessary to

support the implementation of the proposed pricing structure. The Exchange notes that its

proposal is substantively identical to a recent proposal made by the Exchange's affiliate, MIAX

Options.[17]

Rule 518 Complex Orders

Specifically, the Exchange proposes to amend subsection (c)(1) Minimum Increments

and Trade Prices of Rule 518, to adopt new paragraph (ii), and to renumber current paragraph

(c)(1)(ii) as paragraph (c)(1)(iii). New paragraph (c)(1)(ii) will provide that, bids and offers on

complex orders, quotes, and RFR Responses for stock-option complex strategies (including a

cQCC Order entered with a stock component) may be expressed in any decimal price the

Exchange determines. The option component(s) of such a complex order may be executed in

$0.01 increments, regardless of the minimum increments otherwise applicable to individual

components of the complex order, and the stock component of such a complex order may be

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[17]   See supra note 3.

executed in any decimal price permitted in the equity market. The Exchange notes that its

proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[18] Minimum

increments less than $0.01 are appropriate for stock-option orders as the stock component can

trade at finer decimal increments permitted by the equity market. Furthermore, the Exchange

notes that even with the flexibility provided in the proposed rule, the individual options and stock

legs must trade at increments allowed by the Commission in the options and equities markets.

To support the pricing of stock-option orders in any decimal price the Exchange

determines, the Exchange is proposing to make a number of conforming changes throughout its

Rulebook to clearly differentiate pricing and support of complex strategies with only option

components, (which remains unchanged under this proposal in $0.01 increments), and pricing

and support of stock-option complex strategies which may be in sub-penny increments, as

determined by the Exchange. The Exchange notes that the proposed changes described herein

are substantively identical to changes made by the Exchange's affiliate, MIAX Options.[19]

Therefore, the Exchange proposes to make a minor conforming change to the rule text of

current paragraph (c)(1)(ii) of Rule 518, which will be renumbered as paragraph (c)(1)(iii). The

current rule text states that, if any component of a complex strategy would be executed at a price

that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one other

component of the complex strategy must trade at a price that is better than the corresponding

EBBO. The Exchange now proposes to amend the rule to add additional detail and specificity by

stating that, if any component of a complex strategy would be executed at a price that is equal to

a Priority Customer bid or offer on the Simple Order Book, at least one other **option** component

of the complex strategy must trade at a price that is better than the corresponding EBBO. The

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[18]   See MIAX Options Exchange Rule 518(c)(1)(ii).

[19]   See supra note 3.

Exchange believes that clarifying that the component of the complex strategy must be an option component adds additional detail to the rule and makes it clear in the Exchange's rules that a Priority Customer bid or offer must be improved by at least $0.01 by the option component of either a complex strategy with only option components or the option component of a stock-option complex strategy. The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[20]

Additionally, the Exchange proposes to amend paragraph (i) of subsection (c)(1), Minimum Increments and Trade Prices, of Exchange Rule 518, to add additional detail and clarity to the rule text. Currently, the rule provides that, bids and offers on complex orders and quotes may be expressed in $0.01 increments, and the component(s) of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. The Exchange now proposes to amend the rule text to provide that, bids and offers on complex orders, quotes, and RFR Responses for complex strategies having only option components may be expressed in $0.01 increments, and the component(s) of such a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[21]

Paragraph (c)(1)(i) pertains to complex strategies that have only option components (as opposed to paragraph (c)(1)(ii) which pertains to stock-option complex strategies) and therefore provides that bids, offers, and RFR Responses for complex strategies having only option components may be expressed in $0.01 increments. The Exchange believes this change is

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[20]   See MIAX Options Exchange Rule 518(c)(1)(iii).

[21]   See MIAX Options Exchange Rule 518(c)(1)(i).

necessary to differentiate between which strategies are required to be priced in $0.01 increments

(complex strategies having only option components) and which strategies may be priced in an

increment other than $0.01 (stock-option complex strategies). The Exchange believes this

amendment provides additional detail and clarity regarding the pricing of complex strategies

having only option components, which is not changing under this proposal.

The Exchange also proposes to amend the rule text of current paragraph (c)(1)(iii) of

Rule 518 to make two minor conforming changes and to renumber the paragraph as new

paragraph (c)(1)(iv). Currently, the rule states that, a complex order will not be executed at a net

price that would cause any component of the complex strategy to be executed: (A) at a price of

zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the

EBBO of at least one component of the complex strategy. The Exchange now proposes to add

additional detail and specificity to the rule to state that, a complex order will not be executed at a

net price that would cause any **option** component of the complex strategy to be executed: (A) at

a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without

improving the EBBO of at least one **option** component of the complex strategy.[22] The Exchange

believes that clarifying that the component of the complex strategy must be an option component

adds additional detail and clarity to the rule. The Exchange also proposes to make a non-

substantive change to existing paragraph (c)(1)(iv) to renumber the paragraph as (c)(1)(v). The

Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX

Options.[23]

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[22]   The Exchange also proposes to make an identical conforming change to paragraph (d)(6)
         of Rule 518 that is identical to MIAX Options Exchange Rule 518(d)(6).

[23]   See MIAX Options Exchange Rule 518(c)(1)(iv).

The Exchange proposes to amend subparagraph (i) of section (c)(4), Managed Interest Process for Complex Orders, of Rule 518 to add additional detail and clarity to the rule text. The managed interest process for complex orders ensures that a complex order will never be executed at a price that is through the individual component prices on the Simple Order Book.

Currently, the rule provides that, when the opposite side icEBBO[24] includes a Priority Customer Order, the System will book and display such booked complex order on the Strategy Book[25] at a price (the "book and display price") that is $0.01 away from the current opposite side icEBBO. The Exchange proposes to amend the rule text to provide that, when the opposite side icEBBO includes a Priority Customer Order, the System will book and display such booked complex order on the Strategy Book at a price (the "book and display price") such that at least one option component is priced $0.01 away from the current opposite side EBBO. The EBBO is comprised of the best bid and the best offer on the Simple Order Book on the Exchange.[26]

This change supports the proposed change to 518(c)(1)(iii) which provides that if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one option component of the complex strategy must trade at a price that is better than the corresponding EBBO. Together, these changes ensure that no complex strategy (either a complex strategy with only option components or a stock-option complex strategy) will execute ahead of a Priority Customer order on the

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[24]   The icEBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. For stock-option orders, the icEBBO for a complex strategy will be calculated using the best price (whether displayed or non-displayed) on the Simple Order Book in the individual option component(s), and the NBBO in the stock component. See Exchange Rule 518(a)(12).

[25]   The "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

[26]   See supra note 16.

Simple Order Book without improving the EBBO of at least one option component of the

complex strategy by at least $0.01.[27] The Exchange believes this change provides additional

detail and clarity regarding the managed interest process for complex strategies with only option

components and for stock-option complex strategies, and harmonizes the rule text to the System

behavior. The Exchange notes that its proposed rule text is substantively identical to that of the

Exchange's affiliate, MIAX Options.[28]

The Exchange proposes to amend paragraph (d)(4), RFR Response, of Rule 518 to make

a conforming change to the rule necessary to support pricing of stock-option complex strategies

in any decimal price determined by the Exchange. Currently, Rule 518(d)(4) provides that, RFR

responses may be submitted in $0.01 increments. The Exchange proposes to amend this

provision to provide that RFR Responses may be submitted in the increments defined in

proposed subparagraphs (c)(1)(i) and (c)(1)(ii) of this Rule. This proposed change is consistent

with the proposed change to Rule 518(c)(1), Minimum Increments and Trade Prices, as

described above, and aligns the pricing of complex strategies with only option components in

$0.01, which is not changing under this proposal, and the pricing of complex strategies with a

stock component in any decimal price the Exchange determines as proposed herein. RFR

responses submitted for a complex strategy having only option components may be expressed in

$0.01 increments as proposed in subparagraph (c)(1)(i), whereas RFR responses submitted for a

stock-option complex strategy may be expressed in any decimal price the Exchange determines

as proposed in subparagraph (c)(1)(ii). This change aligns RFR responses for complex strategies

with only option components to the current price interval for complex orders of $0.01, which is

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[27]   See Exchange Rule 518(c)(1)(iv) as proposed herein.

[28]   See MIAX Options Exchange Rule 518(c)(4)(i) (The MIAX Options Exchange's rule
         text references the MBBO whereas the proposed rule text references the EBBO).

not changing under this proposal, and aligns the pricing interval for stock-option complex

strategies with the proposed change discussed herein to be in any decimal price as determined by

the Exchange.[29] The Exchange notes that its proposed rule text is identical to that of the

Exchange's affiliate, MIAX Options.[30]

The Exchange proposes to amend paragraph (d)(6)(i) of Rule 518 to add additional detail

and clarity to the operation of the rule necessary to support pricing of stock-option complex

strategies in sub-penny increments and clarify that the pricing and processing of complex

strategies with only option components will remain unchanged under this proposal. Currently,

the rule states that, at the conclusion of the Response Time Interval, Complex Auction-eligible

orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) of Rule

518:[31] (i) Using $0.01 inside the current icEBBO as the boundary (the "boundary"), the System

will calculate the price where the maximum quantity of contracts can trade and also determine

whether there is an imbalance.[32]

The Exchange now proposes to amend the rule text to state that, at the conclusion of the

Response Time Interval, Complex Auction-eligible orders will be priced and executed as

follows, and allocated pursuant to subparagraph (7) of Rule 518: (i) Using $0.01 inside the

current icEBBO for complex strategies with only option components or using a decimal price

increment (as determined by the Exchange) inside the current icEBBO for stock-option complex

strategies as the boundary (the "boundary"), the System will calculate the price where the

maximum quantity of contracts can trade and also determine whether there is an imbalance. This

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[29]   The Exchange also proposes to make an identical conforming change to Rule 518(e) for
         cLEP Responses that is identical to MIAX Options Exchange Rule 518(e), Responses.

[30]   See MIAX Options Exchange Rule 518(d)(4).

[31]   See Exchange Rule 518(d)(6).

[32]   See Exchange Rule 518(d)(6)(i).

proposed change is consistent with the proposed change to Rule 518(c)(1), Minimum Increments

and Trade Prices, as described above and allows the Exchange to accurately calculate prices for

stock-option complex strategies. Using the same pricing increments that each complex strategy

is priced in ($0.01 for complex strategies with only option components and the decimal price

increment as determined by the Exchange for stock-option complex strategies) ensures that there

are no calculation or rounding errors which ensures the accuracy and integrity of the Exchange's

price calculations and the System's determination of the price where the maximum quantity of

contracts can trade and also the System's determination of an imbalance. The Exchange believes

this change adds additional detail and clarity to the rule, by clarifying current behavior as it

relates to complex strategies with only option components and facilitates the proposed change to

permit pricing of complex strategies with an option component in any decimal price the

Exchange determines. The Exchange notes that its proposed rule text is substantively identical

to that of the Exchange's affiliate, MIAX Options.[33]

The Exchange proposes to amend paragraph (d)(6)(i)(A)2.a. of Rule 518 to provide for

calculations in $0.01 increments to support complex strategies with only option components and

to provide for calculations in any decimal price increment as determined by the Exchange to

support stock-option complex strategies. Currently, the rule provides that, if the midpoint price

is not in a $0.01 increment, the System will round toward the midpoint of the dcEBBO[34] to the

nearest $0.01. The Exchange now proposes to amend the rule text to state that, for complex

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[33] See MIAX Options Exchange Rule 518(d)(6)(i) (MIAX Options Exchange's rule text references the icMBBO whereas the proposed rule text references the icEBBO).

[34] The dcEBBO is calculated using the best displayed price for each component of a complex strategy from the Simple Order Book. For stock-option orders, the dcEBBO for a complex strategy will be calculated using the Exchange's best displayed bid or offer in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(8).

strategies with only option components if the midpoint price is not in a $0.01 increment, the

System will round toward the midpoint of the dcEBBO to the nearest $0.01; for stock-option

complex strategies, if the midpoint price is not in a decimal price increment as determined by the

Exchange, the System will round toward the midpoint of the dcEBBO to the nearest decimal

price increment as determined by the Exchange. The Exchange notes that its proposed rule text

is substantively identical to that of the Exchange's affiliate, MIAX Options.[35]

Similarly, the Exchange also proposes to amend paragraph (d)(6)(i)(A)2.b. of Rule 518 to

provide for calculations in $0.01 increments to support complex strategies with only option

components and to provide for calculations in any decimal increment as determined by the

Exchange to support stock-option complex strategies. Currently, the rule provides that if the

midpoint of the highest and lowest prices is also the midpoint of the dcEBBO and is not in a

$0.01 increment the System will round the price up to the next $0.01 increment. The Exchange

now proposes to amend the rule text to state that, if the midpoint of the highest and lowest prices

is also the midpoint of the dcEBBO and is not in a $0.01 increment for complex strategies with

only option components or in a decimal price increment as determined by the Exchange for

stock-option complex strategies, the System will round the price up to the next $0.01 increment

for complex strategies with only option components or to a decimal price increment as

determined by the Exchange for stock-option complex strategies The Exchange notes that its

proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[36]

To properly perform the internal calculations described in Exchange Rule

518(d)(6)(i)(A)2.a. and b. correctly it is imperative that the decimal increment being used in the

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[35]   See MIAX Options Exchange Rule 518(d)(6)(i)(A)2.a. (MIAX Options Exchange's rule
         text references the dcMBBO whereas the proposed rule text references the dcEBBO).

[36]   See MIAX Options Exchange Rule 518(d)(6)(i)(A)2.b.

calculation properly aligns to the decimal quoting increment being used on the Exchange for that

strategy, be it for complex strategies with only option components or stock-option complex

strategies. Using the appropriate decimal increment that the strategy is priced in ($0.01 for

complex strategies with only option components or any decimal price as determined by the

Exchange for stock-option complex strategies) ensures that the Exchange accurately calculates

the auction start price to the proper decimal precision for either complex strategies with only

option components (which may only be in $0.01 increments) or stock-option complex strategies

(which may be in any price increment as determined by the Exchange). The Exchange believes

these changes provide additional detail and clarification regarding the differentiation in

calculations for complex strategies with only option components that are priced in $0.01

increments, which remains unchanged under this proposal, and calculations for stock-option

complex strategies, which may be priced in increments other than $0.01. This change is

necessary to support the proposed change discussed herein to price stock-option strategies in any

decimal price increment as determined by the Exchange. The Exchange notes that its proposed

rule text is substantively identical to that of the Exchange's affiliate, MIAX Options.[37]

Rule 515 Execution of Orders and Quotes

Customer to Customer Cross Orders

The Exchange proposes to amend paragraph (h), Crossing Orders, of Rule 515, to clarify

that Complex Customer Cross ("cC2C") pricing is not changing under this proposal. Currently,

subparagraph (B) of paragraph (3), of Rule 515(h), Complex Customer Cross ("cC2C") Orders

provides that cC2C Orders[38] may only be entered in the minimum trading increments applicable

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[37]   See MIAX Options Exchange Rule 518(d)(6)(i) (MIAX Options Exchange's rule text
         references the icMBBO whereas the proposed rule text references the icEBBO).

[38]   A Complex Customer Cross or "cC2C" Order is comprised of one Priority Customer
         complex order to buy and one Priority Customer complex order to sell at the same price

to complex orders under Rule 518(c)(1)(i). Current Rule 518(c)(1)(i) provides that the minimum

trading increments applicable to complex orders is $0.01.[39] The Exchange proposes to amend

subparagraph (B) to state that, cC2C Orders may only be entered in minimum trading increments

of $0.01. The Exchange notes that its proposed rule text is identical to that of the Exchange's

affiliate, MIAX Options.[40]

Complex Qualified Contingent Cross Orders

cQCC Orders[41] may be entered into the Exchange's System with a stock component or

without the stock component. To support and facilitate the pricing proposal for stock-option

strategies as proposed herein, a cQCC entered without the stock component will be treated as a

complex strategy with only option components for pricing purposes (pricing in $0.01 increments

only), whereas a cQCC entered with the stock component will be treated as a complex strategy

with a stock component under the Exchange's new quoting structure as proposed herein.

Therefore, the Exchange proposes to amend subparagraph (B) of paragraph (4), Complex

Qualified Contingent Cross ("cQCC") Orders to provide that cQCC Orders may only be entered

in the minimum trading increments applicable to complex orders under proposed Rule

518(c)(1)(i) or 518(c)(1)(ii) if the cQCC Order includes the stock component upon entry. The

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and for the same quantity. Trading of cC2C Orders is governed by Rule 515(h)(3). See Exchange Rule 518(b)(5).

[39]   Bids and offers on complex orders and quotes may be expressed in $0.01 increments, and the component(s) of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. See Exchange Rule 518(c)(1)(i).

[40]   See MIAX Options Exchange Rule 515(h)(3)(B).

[41]   A Complex Qualified Contingent Cross or "cQCC" Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01, coupled with a contra-side complex order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(h)(4). See Exchange Rule 518(b)(6).

Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[42]

Additionally, the Exchange proposes to adopt new subparagraph (D) to paragraph (4) of Rule 515(h) to provide a more fulsome description of cQCC Order handling of a cQCC Order entered without the stock component and a cQCC Order entered with the stock component. New subparagraph (D) will provide that, a cQCC Order may be entered with or without the stock component. A cQCC Order entered without the stock component will be treated as a complex strategy with only option components. A cQCC Order entered with the stock component shall be subject to Rule 518.01. A Member that submits a cQCC Order to the Exchange (with or without the stock component) represents that such order satisfies the requirements of a qualified contingent trade (as described in Interpretations and Policies .01 of Rule 516) and agrees to provide information to the Exchange related to the execution of the stock component as determined by the Exchange and communicated via Regulatory Circular.[43] The Exchange notes that its proposed rule text is identical to that of the Exchange's affiliate, MIAX Options.[44]

Implementation Date

The Exchange plans to implement the proposed rule change at the end of Q3, 2022, or early Q4 of 2022, and will announce the implementation date to its Members via Regulatory Circular.

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[42]   See MIAX Options Exchange Rule 515(h)(4)(B).

[43]   See proposed Rule 515(h)(4)(D) and see also MIAX Emerald Regulatory Circular 2019-66, Regulatory Requirements when entering a Qualified Contingent Cross Order ("QCC") or a Complex Qualified Contingent Cross Order ("cQCC") (August 13, 2019) available at: https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Emerald_RC_2019_66.pdf.

[44]   See MIAX Options Exchange Rule 515(h)(4)(D).

2.   Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the

Act[45] in general, and furthers the objectives of Section 6(b)(5) of the Act[46] 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

regulating, clearing, settling, processing information with respect to, and facilitating transactions

in securities, to remove impediments to and perfect the mechanisms of a free and open market

and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change benefits investors and promotes just

and equitable principles of trade because it provides investors with the ability to price stock-

option complex strategies with greater precision.[47] This provides investors with greater

opportunities for execution as it allows for more accurate pricing of stock-option complex

strategies. The net price of a complex strategy with a stock component may result in a price that

is accurately expressed in a finer decimal increment than $0.01 as a result of the stock ratio being

used.

Example 1 Stock-Option Complex Strategy

> The current market is:
> EBBO XYZ Jan 15 Put 0.95 (10) x 1.00 (10)
> NBBO XYZ Stock 20.00 (100) x 20.01 (100)
>
> Customer strategy:

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[45]   15 U.S.C. 78f(b).

[46]   15 U.S.C. 78f(b)(5).

[47]   The Exchange notes that other options exchanges permit stock-option orders to be priced in decimal increments. See Cboe Options Rule 5.33(f)(i)(B), Nasdaq ISE Options 3, Section 14(c)(1), Cboe EDGX Rule 21.20(f)(1)(B); and MIAX Options Exchange Rule 518(c)(1)(ii).

A customer order to Buy 1 XYZ Jan 15 Put and Buy 33 Shares of XYZ is received. The customer would like to pay $1.00 for the option and pay $20.01 for the stock for a net price $7.6033 as per the calculation of the strategy market below.

The market for the Strategy is:
Strategy Bid = (Option Bid * Option Ratio) + (Stock Bid * Stock Ratio/100)
Strategy Bid = (0.95 * 1) + (20.00 * .33)
Strategy Bid = 7.5500

Strategy Ask = (Option Ask * Option Ratio) + (Stock Ask * Stock Ratio/100)
Strategy Ask = (1.00 * 1) + (20.01 * .33)
Strategy Ask = 7.6033

Strategy market = 7.5500 x 7.6033

As the Exchange does not support stock option strategies priced in four decimal increments this strategy would be sent to a venue that supports four decimal pricing for execution.

Under the Exchange's proposal to permit stock-option complex strategies to be expressed in any decimal price as determined by the Exchange, if the Exchange determines to price stock-option complex strategies in $0.0001 increments, the above strategy could be placed on the Exchange's Strategy Book at its calculated net price. The customer who would like to pay $1.00 for the option and pay $20.01 for the stock can now pay $1.00 for the option and pay $20.01 for the stock for a net price of $7.6033 as per the calculation above.

Pricing stock-option complex strategies in sub-penny increments permits more precision pricing and allows for complex strategies with a stock component to be effectively traded on the Exchange. Currently, firms that wish to execute these types of strategies will not send them to the MIAX Emerald Exchange due to the current System limitation which constrains the price to two decimal places, whereas the strategy may be more precisely priced in sub-penny increments on exchanges that permit sub-penny pricing of stock-option complex strategies to four decimal places.[48]

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[48]   See id.

Further, the Exchange believes that the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by offering similar functionality to Members that can be found on other competing option exchanges.[49] Competition benefits investors by providing investors an additional venue to choose from when making order routing decisions.

Additionally, the Exchange believes its proposal to leave Complex Customer Cross Order functionality unchanged promotes just and equitable principles of trade, removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, to protects investors and the public interest. A Complex Customer Cross Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity.[50] Complex Customer Cross Orders are not exposed to the marketplace and are executed upon entry, provided that the execution is at least $0.01 better than the icEBBO, or the best net price of a complex order on the Strategy Book, whichever is more aggressive.[51] The Exchange believes that requiring a minimum improvement of $0.01 benefits investors and the public interest as it is not a de minimis price improvement amount. Further, the Exchange does not believe that Members on the Exchange are disadvantaged in any way by not being able to execute Complex Customer Cross Orders with a stock component in a sub-penny interval, as Members may use the cQCC Order type for stock-option complex strategies, or expose their stock-option complex strategy order to the market via the Exchange's cPRIME for price improvement in sub-penny increments.

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[49]   See id.

[50]   See Exchange Rule 518(b)(2)(d).

[51]   See Exchange Rule 515(h)(3).

To support the pricing of stock-option orders in any decimal price the Exchange determines, the Exchange is proposing to make a number of non-substantive conforming changes throughout its rules to clearly differentiate pricing and support of complex strategies with only option components, (which remains unchanged under this proposal in $0.01 increments), and pricing and support of stock-option complex strategies, which may be in any decimal price the Exchange determines. The Exchange believes that its proposed non-substantive changes to add additional detail and clarity to the Exchange's rulebook benefits investors and the public interest as it provides transparency and eliminates the potential for confusion regarding the operation of the Exchange's rules.

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 does not believe that its proposal will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Members of the Exchange that transact stock-option complex strategies will be able to price stock-option complex strategies in more precise increments.

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that its proposal may benefit inter-market competition as other competing option exchanges offer similar price precision for stock-option complex strategies.[52]

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[52]   See CboeEDGX Exchange Rule 21.20(f)(1)(B) which provides that Users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The option leg(s) of a stock-option order may be executed in $0.01 increments, regardless of minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market; and Cboe Exchange Rule 5.33(f)(1)(B) which similarly provides that Users may express bids and offers for a stock-option order

Additionally, the non-substantive changes proposed by the Exchange will have no impact

on competition as they provide additional clarity and detail in the Exchange's rules and are not

changes made for any competitive purpose.

      C.   <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>

Written comments were neither solicited nor received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

Because the foregoing 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 for 30 days after the date of the filing, or such shorter time as the

Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act[53] and

Rule 19b-4(f)(6)[54] thereunder.

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

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(including a QCC with Stock Order) in any decimal price the Exchange determines. The minimum increment for the option leg(s) of a stock-option order is $0.01 or greater, which the Exchange may determine on a class-by-class basis, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market. See also Tradedesk Updates, Cboe Options Exchange Announces Support for QCC with an Equity Leg and Improved Pricing Precision on Complex Orders with an Equity Leg (March 2, 2018) (allowing a price with four decimal places on all complex orders that include a stock leg and that are routed for electronic trading) available at https://cdn.cboe.com/resources/release_notes/2018/QCC-w-equity-leg-and-CPS-4-digit-decimal.pdf; See also MIAX Options Exchange Rule 518(c)(1)(ii).

[53]   15 U.S.C. 78s(b)(3)(A).

[54]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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.

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 e-mail to rule-comments@sec.gov. Please include File Number SR-

EMERALD-2022-23 on the subject line.

Paper comments:

☐ Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities

and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-EMERALD-2022-23. This file number

should be included on the subject line if e-mail 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 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 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 10:00 a.m.

and 3:00 p.m. Copies of the 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-EMERALD-2022-23 and should be

submitted on or before [insert date 21 days from publication in the Federal Register]. For the

Commission, by the Division of Trading and Markets, pursuant to delegated authority.[55]

Vanessa Countryman
Secretary

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[55]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is <u>underlined;</u>
Deleted text is in [brackets]

MIAX Emerald, LLC Rules

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Rule 515. Execution of Orders and Quotes

(a) – (g) No change.

(h) **Crossing Orders.**

(1) – (2) No change.

(3) **Complex Customer Cross ("cC2C") Orders**. cC2C Orders, as defined in Rule 518(b)(5), are automatically executed upon entry provided that the execution is at least $0.01 better than (inside) the icEBBO (as defined in Rule 518(a)(12)) price or the best net price of a complex order (as defined in Rule 518(a)(5)) on the Strategy Book (as defined in Rule 518(a)(17)), whichever is more aggressive. The System will reject a cC2C Order if, at the time of receipt of the cC2C Order: (i) the strategy is subject to a cPRIME Auction pursuant to Rule 515A, Interpretation and Policy .12 or to a Complex Auction pursuant to Rule 518(d); or (ii) any component of the strategy is subject to a SMAT Event as described in Rule 518(a)(16).

(A) cC2C Orders will be automatically canceled if they cannot be executed.

(B) cC2C Orders may only be entered in [the]minimum trading increments <u>of $0.01</u>[applicable to complex orders under Rule 518(c)(1)(i)].

(C) Rule 520, Interpretation and Policy .01, applies to the entry and execution of cC2C Orders.

(D) The Exchange will determine, on a class-by-class basis, the option classes in which cC2C Orders are available for trading on the Exchange, and will announce such classes to Members via Regulatory Circular.

(4) **Complex Qualified Contingent Cross ("cQCC") Orders**. cQCC Orders, as defined in Rule 518(b)(6), are automatically executed upon entry provided that, with respect to each option leg of the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Book; and (ii) is at or between the NBBO. The System will reject a cQCC Order if, at the time of receipt of the cQCC Order: (i) the strategy is subject to a cPRIME

Auction pursuant to Rule 515A, Interpretation and Policy .12 or to a Complex Auction pursuant to Rule 518(d); or (ii) any component of the strategy is subject to a SMAT Event as described in Rule 518(a)(16).

(A) cQCC Orders will be automatically canceled if they cannot be executed.

(B) cQCC Orders may only be entered in the minimum trading increments applicable to complex orders under Rule 518(c)(1)(i) or 518(c)(1)(ii) if the cQCC Order includes the stock component upon entry.

(C) The Exchange will determine, on a class-by-class basis, the option classes in which cQCC Orders are available for trading on the Exchange, and will announce such classes to Members via Regulatory Circular.

(D) A cQCC Order may be entered with or without the stock component. A cQCC Order entered without the stock component will be treated as a complex strategy with only option components. A cQCC Order entered with the stock component shall be subject to Rule 518.01. A Member that submits a cQCC Order to the Exchange (with or without the stock component) represents that such order satisfies the requirements of a qualified contingent trade (as described in Interpretations and Policies .01 of Rule 516) and agrees to provide information to the Exchange related to the execution of the stock component as determined by the Exchange and communicated via Regulatory Circular.

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Rule 518. Complex Orders

(a) – (b) No change.

(c) **Trading of Complex Orders and Quotes**. The Exchange will determine and communicate to Members via Regulatory Circular which complex order origin types (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the Strategy Book. Complex orders and quotes will be subject to all other Exchange Rules that pertain to orders and quotes generally, unless otherwise provided in this Rule 518. This Rule 518(c) governs trading of all complex order types set forth in Rule 518(b) above, unless otherwise specified in Rule 518(b).

(1) **Minimum Increments and Trade Prices.**

(i) Bids and offers on complex orders, [and]quotes, and RFR Responses for complex strategies having only option components may be expressed in $0.01 increments, and the component(s) of such a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order.

(ii) Bids and offers on complex orders, quotes, and RFR Responses for stock-option complex strategies (including a cQCC Order entered with a stock component) may be expressed in any decimal price the Exchange determines. The option component(s) of such a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order, and the stock component of such a complex order may be executed in any decimal price permitted in the equity market.

(iii) If any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one other option component of the complex strategy must trade at a price that is better than the corresponding EBBO.

(i[ii]v) A complex order will not be executed at a net price that would cause any option component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the EBBO of at least one option component of the complex strategy.

([i]v) A complex order or eQuote (as defined in Interpretation and Policy .02 of this Rule) will not be executed at a price that is outside of its MPC Price (as defined in Interpretation and Policy .05(f) of this Rule) or its limit price.

(2) – (3) No change.

(4) **Managed Interest Process for Complex Orders**. Complex orders will not be routed outside of the Exchange regardless of prices displayed by away markets. The Managed Interest Process for complex orders will be based upon the icEBBO (as defined in subparagraph (a)(12) above).

(i) A complex order that is resting on the Strategy Book and is either a complex market order (as described in subparagraph (c)(6) below), or has a limit price that locks or crosses the current opposite side icEBBO when the icEBBO is the best price, may be subject to the Managed Interest Process for complex orders as discussed herein. Complex Standard quotes are not eligible for inclusion in the Managed Interest Process. An unexecuted complex Standard quote with a limit price that would otherwise be managed to the icEBBO will be cancelled. If the order is not a Complex Auction-eligible order (as defined in subparagraph (d)(1) below), the System will first determine if the inbound complex order can be matched against other complex orders and/or quotes resting on the Strategy Book at a price that is at or inside the icEBBO (provided there are no Priority Customer orders on the Simple Order Book at that price). Second, the System will determine if the inbound complex order can be executed by Legging against individual orders and quotes resting on the Simple Order Book at the icEBBO. A complex order subject to the Managed Interest Process will never be executed at a price that is through the individual component prices on the Simple Order Book. The net price of a complex order subject to the Managed Interest

Process that is executed against another complex order on the Strategy Book will never be inferior to the price that would be available if the complex order legged into the Simple Order Book. When the opposite side icEBBO includes a Priority Customer Order, the System will book and display such booked complex order on the Strategy Book at a price (the "book and display price") such that at least one option component is priced $0.01 away from the current opposite side EBBO[that is $0.01 away from the current opposite side icEBBO]. When the opposite side icEBBO does not include a Priority Customer Order and is not available for execution in the ratio of such complex order, or cannot be executed through Legging with the Simple Order Book (as described in subparagraph (c)(2)(iii) above), the System will place such complex order on the Strategy Book and display such booked complex order at a book and display price that will lock the current opposite side icEBBO.

(ii) No change.

(5) – (6) No change.

(d) **Complex Auction Process.** Certain option classes, as determined by the Exchange and communicated to Members via Regulatory Circular, will be eligible to participate in a Complex Auction (an "eligible class"). Upon evaluation as set forth in subparagraph (c)(5) above, the Exchange may determine to automatically submit a Complex Auction-eligible order into a Complex Auction. Upon entry into the System or upon evaluation of a complex order resting at the top of the Strategy Book, Complex Auction-eligible orders may be subject to an automated request for responses ("RFR").

(1) – (3) No change.

(4) **RFR Response.** Members may submit a response to the RFR message (an "RFR Response") during the Response Time Interval. RFR Responses may be submitted in [$0.01 increments]the increments defined in (c)(1)(i) and (c)(1)(ii) of this Rule. RFR Responses must be a cAOC order or a cAOC eQuote as defined in Interpretation and Policy .02 of this Rule and may be submitted on either side of the market. RFR Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval. At the end of the Response Time Interval, RFR Responses are firm (i.e., guaranteed at the RFR price and size). All RFR Responses and other complex orders and quotes on the opposite side of the Complex Auction-eligible order are also firm with respect to other incoming Complex Auction-eligible orders that are received during the Response Time Interval. Any RFR Responses not executed in full will expire at the end of the Complex Auction. An RFR Response with a size greater than the aggregate size of interest at the same price on the same side of the market as the initiating Complex Auction-eligible order (the "aggregate auctioned size") will be capped for allocation purposes at the aggregate auctioned size.

(5) No change.

(6) **Complex Auction Pricing**. A complex strategy will not be executed at a net price that would cause any <u>option</u> component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the EBBO on at least one <u>option</u> component of the complex strategy by at least $.01. At the conclusion of the Response Time Interval, Complex Auction-eligible orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) below:

(i) Using $0.01 inside the current icEBBO <u>for complex strategies with only option components or using a decimal price increment (as determined by the Exchange) inside the current icEBBO for stock-option complex strategies</u> as the boundary (the "boundary"), the System will calculate the price where the maximum quantity of contracts can trade and also determine whether there is an imbalance.

(A) If there is no imbalance, the System will calculate the Complex Auction price using the following:

1. If a single price satisfies the maximum quantity criteria, that single price is used as the Complex Auction price.

2. If two or more prices satisfy the maximum quantity criteria, the System will calculate the midpoint of the lowest and highest price points that satisfy the maximum quantity criteria, such midpoint price is used as the Complex Auction price. For orders with ixABBO Price Protection, as described in Interpretation and Policy .05(d) of this Rule (for purposes of this subparagraph (d)(6), "price protection"), the midpoint pricing will use the price protection range selected by the Member at the end of the Complex Auction.

a. <u>For complex strategies with only option components,</u> [I]<u>i</u>f the midpoint price is not in a $0.01 increment, the System will round toward the midpoint of the dcEBBO to the nearest $0.01<u>; for stock-option complex strategies, if the midpoint price is not in a decimal price increment as determined by the Exchange, the System will round toward the midpoint of the dcEBBO to the nearest decimal price increment as determined by the Exchange</u>.

b. If the midpoint of the highest and lowest prices is also the midpoint of the dcEBBO and is not in a $0.01 increment <u>for complex strategies with only option components or in a decimal price increment as determined by the Exchange for stock-option complex strategies,</u> the System will round the price up to the next $0.01 increment <u>for complex strategies with only option components or to a decimal price increment as determined by the Exchange for stock-option complex strategies</u>.

(B) No change.

(ii) No change.

(7) – (12) No change.

(e) **Complex Liquidity Exposure Process ("cLEP") for Complex Orders.** The System will initiate a cLEP Auction whenever a complex order or eQuote would execute or post at a price that would violate its MPC Price, as described in Interpretation and Policy .05(f). The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all subscribers of the Exchange's data feeds. The liquidity exposure message will include the symbol, side of the market, auction start price (MPC Price of the complex order or eQuote), and the imbalance quantity.

Response Time Interval. The "Response Time Interval" means the period of time during which responses to the liquidity exposure message may be entered. The duration of the Response Time Interval shall be no less than 100 milliseconds and no more than 5,000 milliseconds, as determined by the Exchange and announced through a Regulatory Circular.

Responses. Members may submit a response to the liquidity exposure message during the Response Time Interval. Responses may be submitted in [$0.01 increments]the increments defined in section (c)(1)(i) and (c)(1)(ii) of this Rule. Responses must be a cAOC Order or a cAOC eQuote as defined in Interpretation and Policy .02 of this Rule and may be submitted on either side of the market. Responses represent non-firm interest that can be withdrawn at any time prior to the end of the Response Time Interval. At the end of the Response Time Interval, responses are firm (i.e., guaranteed at the response price and size). Any responses not executed in full will expire at the end of the cLEP Auction. A response on the opposite side of the initiating order with a size greater than the aggregate size of interest at the same price on the same side of the market as the initiating order (the "aggregate auctioned size") will be capped for allocation purposes at the aggregate auctioned size.

End of Complex Liquidity Exposure Process. At the conclusion of the cLEP Auction the resulting trade price will be determined by the Exchange's Complex Auction Pricing described in subsection (d)(6) of this Rule and interest will be executed as provided in subsection (d)(6) of this Rule. In no event will the resulting trade price of a cLEP Auction ever be more aggressive than the MPC Price. Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii) – (v) of this Rule, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation process as described below.

Allocation at the Conclusion of a Complex Liquidity Exposure Auction. Orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule.

Reevaluation. At the conclusion of a cLEP Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of this Rule. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

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