SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72418; File No. SR-MIAX-2014-23)

June 18, 2014

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 515A

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 June 5, 2014, Miami

International Securities Exchange LLC ("MIAX" 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 is filing a proposal to amend Exchange Rule 515A.

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

http://www.miaxoptions.com/filter/wotitle/rule_filing, at MIAX'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

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.

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

[2]   17 CFR 240.19b-4.

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

1.   Purpose

The Exchange adopted Rule 515A to establish a price improvement auction ("PRIME Auction") and a solicited order mechanism ("Solicitation Auction").[3] The Exchange has identified several additional enhancements to the functionality that the Exchange believes should be included in the Rules prior to deployment of the new PRIME Auction and Solicitation Auction functionality. The Exchange proposes to amend Exchange Rules 515A accordingly.

The Exchange proposes to amend Rule 515A(a)(2)(ii)(B) and Rule 515A(b)(2)(ii)(B) in order to provide that the PRIME Auction and Solicitation Auction will conclude upon the receipt by the System of an unrelated order (in the same option as the Agency Order) on the opposite side of the market from the RFR responses, that is marketable against either the NBBO, the initiating price[4],or the RFR responses. In addition, the Exchange proposes to separately provide in amended Rule 515A(a)(2)(ii)(C) and Rule 515A(b)(2)(ii)(C) that the PRIME Auction and Solicitation Auction will conclude upon the receipt by the System of an unrelated order (in the same option as the Agency Order) on the same side of the market as the RFR responses, that is marketable against the NBBO. Currently, the Rules state that the PRIME Auction and a Solicitation Auction will conclude upon the receipt by the System of an unrelated order on the same side or opposite side of the market from the RFR responses, that is marketable against

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[3]   See Securities Exchange Act Release Nos. 71640 (March 4, 2014), 79 FR 13334 (March 10, 2014) (SR-MIAX-2014-09) ("Notice"); 72009 (April 23, 2014), 79 FR 24032 (April 29, 2014) (SR-MIAX-2014-09).

[4]   The "initiating price" is the stopped price specified by the Initiating Member on the Agency Order. See Rule 515A(a)(2)(i)(A).

either the MBBO (when such quote is the NBBO) or the RFR responses.[5] The proposed change

will add the initiating price of the Auction as an additional trigger to cause the early termination

of an Auction upon the receipt of an unrelated order on the opposite side of the market from the

RFR responses. The proposed change will also use the NBBO as a trigger to cause the early

termination of an Auction in lieu of the MBBO when such quote is the NBBO. In addition, the

proposed change will restructure the Rules so that the treatment of same side and opposite side

unrelated orders are described in separate provisions in order to provide additional clarity and

reduce the potential for confusion on behalf of market participants. The Exchange proposes to

make these enhancements to further ensure that the PRIME Auction and Solicitation Auction

will work seamlessly with the Exchange's Book in a manner that would ensure a fair and orderly

market by maintaining priority of orders and quotes while still affording the opportunity for price

improvement on each Auction commenced on the Exchange. The Exchange believes that by

using such additional reasons for terminating an Auction early will improve the interaction

between the Auction and the Exchange's Book and the national market system.

The following examples show how the proposed amendments described above would

affect the outcome of the PRIME Auction.

Example 1 - Early Conclusion of Auction, limit order on the same side of the market as RFR
Responses that is marketable against NBBO at the time of arrival

NBBO = $1.20 - $1.24 200 x 100
BBO = $1.20 - $1.24 100 x 100
Agency Order to buy 50 contracts with a limit of $1.24
Initiating Member's Contra Order selling 50 contracts with a stop price of $1.24
RFR sent identifying the option, side and size, initiating price of $1.24
(Auction Starts)
- @ 200 milliseconds MM3 response received, AOC eQuote to Sell 50 at $1.22
- @ 210 milliseconds MM1 response received, AOC eQuote to Sell 50 at $1.22
- @ 230 milliseconds MM4 response received, AOC eQuote to Sell 50 at $1.23

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5   See Rules 515A(a)(2)(ii)(B) and 515A(b)(2)(ii)(B). See also CBOE Rules 6.74A(b)(2)
     and 6.74B(b)(2).

- @ 400 milliseconds BD1 Unrelated Order received Sell 10 at $1.20 (Opposite-side order marketable against the NBB causes an early conclusion to the Auction)

Under this scenario, the Agency Order would be executed as follows:
1. 10 contracts trade with the unrelated order for BD1 @ $1.21(midpoint of the best RFR response of $1.22 and the opposite side of the market from the RFR response of $1.20)
2. 20 contracts trade with MM3 @ $1.22
3. 20 contracts trade with MM1 @ $1.22 (This fills the entire Agency Order)
4. MM4 does not trade any contracts
5. Contra Order does not trade any contracts

Example 2 - Early Conclusion of Auction, limit order on the same side of the market as RFR Responses that is marketable against NBBO at the time of arrival

NBBO = $1.20 - $1.24 200 x 100
BBO = $1.18 - $1.26 100 x 100
Agency Order to buy 50 contracts with a limit of $1.24
Initiating Member's Contra Order selling 50 contracts with a stop price of $1.24
RFR sent identifying the option, side and size, initiating price of $1.24
(Auction Starts)
- @ 200 milliseconds MM3 response received, AOC eQuote to Sell 50 at $1.22
- @ 210 milliseconds MM1 response received, AOC eQuote to Sell 50 at $1.22
- @ 230 milliseconds MM4 response received, AOC eQuote to Sell 50 at $1.23
- @ 400 milliseconds BD1 Unrelated Order received Sell 10 at $1.20 (Opposite-side order marketable against the NBB causes an early conclusion to the Auction)

Under this scenario, the Agency Order would be executed as follows:
1. 10 contracts trade with the unrelated order for BD1 @ $1.21(midpoint of the best RFR response of $1.22 and the opposite side of the market from the RFR response of $1.20)
2. 20 contracts trade with MM3 @ $1.22
3. 20 contracts trade with MM1 @ $1.22 (This fills the entire Agency Order)
4. MM4 does not trade any contracts
5. Contra Order does not trade any contracts

In Example 1, since the MBBO is the same as the NBBO, the outcome of the PRIME

Auction will be identical under the proposal as the current approved Rule.[6] However, in

Example 2, under the proposal, the PRIME Auction terminates early upon the receipt of the

unrelated order that is marketable against the NBBO, but not the MBBO. In contrast, in

Example 2 under the current approved Rule, the PRIME Auction would not have terminated

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[6]   See Notice, supra note 3, Example 17. See Rule 515A(a)(2)(ii)(B).

early upon the receipt of the unrelated order that is marketable against the NBBO and could have continued another 100 milliseconds.[7]

<u>Example 3 - Early Conclusion of Auction, IOC marketable against either side of NBBO at time of arrival</u>

NBBO = $1.20 - $1.24 200 x 200
BBO = $1.20 - $1.24 100 x 100
Agency Order to buy with a limit price of $1.22 for 20 contracts
Initiating Member's Contra Order selling 20 contracts at $1.22
RFR sent identifying the option, side and size, with initiating price of $1.22
(Auction Starts)
- @ 100 milliseconds MM3 response received, AOC eQuote to Sell 20 at $1.22
- @ 210 milliseconds MM1 response received, AOC eQuote to Sell 20 at $1.22
- @ 330 milliseconds MM4 response received, AOC eQuote to Sell 20 at $1.22
- @ 400 milliseconds C1 Unrelated IOC Order received Buy 100 at $1.24 (Same side IOC order to buy marketable against the NBO causes the Auction to conclude early)

Under this scenario, the Agency Order would be executed as follows:
1. 8 contracts trade with the Contra Order @ $1.22 (This satisfies their 40% participation guarantee)
2. 4 contracts trades with MM3 @ $1.22
3. 4 contracts trades with MM1 @ $1.22
4. 4 contracts trade with MM4 @ $1.22 (This fills the entire Agency Order)
5. C1 unrelated IOC order then executes as follows:
   a. 16 contracts trade with MM3 @ $1.22
   b. 16 contracts trade with MM1 @ $1.22
   c. 16 contracts trade with MM4 @ $1.22
   d. Remaining 52 contracts then executes with the posted market at the Exchange's $1.24 BO

<u>Example 4 - Early Conclusion of Auction, IOC marketable against either side of NBBO at time of arrival</u>

NBBO = $1.20 - $1.24 200 x 200
BBO = $1.18 - $1.26 100 x 100
Agency Order to buy with a limit price of $1.22 for 20 contracts
Initiating Member's Contra Order selling 20 contracts at $1.22
RFR sent identifying the option, side and size, with initiating price of $1.22
(Auction Starts)
- @ 100 milliseconds MM3 response received, AOC eQuote to Sell 20 at $1.22
- @ 210 milliseconds MM1 response received, AOC eQuote to Sell 20 at $1.22
- @ 330 milliseconds MM4 response received, AOC eQuote to Sell 20 at $1.22

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[7]   <u>See</u> Rule 515A(a)(2)(ii)(B).

- @ 400 milliseconds C1 Unrelated IOC Order received Buy 100 at $1.24 (Same side IOC order to buy marketable against the NBO causes the Auction to conclude early)

Under this scenario, the Agency Order would be executed as follows:
1. 8 contracts trade with the Contra Order @ $1.22 (This satisfies their 40% participation guarantee)
2. 4 contracts trades with MM3 @ $1.22
3. 4 contracts trades with MM1 @ $1.22
4. 4 contracts trade with MM4 @ $1.22 (This fills the entire Agency Order)
5. C1 unrelated IOC order then executes as follows:
   a. 16 contracts trade with MM3 @ $1.22
   b. 16 contracts trade with MM1 @ $1.22
   c. 16 contracts trade with MM4 @ $1.22
   d. Remaining 52 contracts are then canceled

Similarly, in Example 3, since the MBBO is the same as the NBBO, the outcome of the PRIME Auction will be identical under the proposal as the current approved Rule.[8] However, in Example 4, under the proposal, the PRIME Auction terminates early upon the receipt of the unrelated order that is marketable against the NBBO, not the MBBO. In contrast, in Example 4 under the current approved Rule, the PRIME Auction would not have terminated early upon the receipt of the unrelated order that is marketable against the NBBO and could have continued another 100 milliseconds.[9]

As mentioned above, in Examples 2 and 4, the PRIME Auctions could have continued for another 100 milliseconds under the current approved rule, with the potential for additional price improvement beyond the NBBO to the MBBO. However, there is no guarantee that the market would not move to the detriment of the Agency Order, providing no additional price improvement. In other words, if market prices moved away from the Agency Order's price and better prices for the Member's trading interest exist outside the PRIME Auction, Members might be unwilling to continue to provide additional price improvement even if the PRIME Auction

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[8]   See Notice, supra note 3, Example 24.

[9]   See Rule 515A(a)(2)(ii)(D).

continued. Further, the marketable unrelated order could have also executed prior to the end of the Auction Period, thus reducing the potential price improvement for the Agency Order which would be left to execute against any remaining RFR Responses or the initiating member's stop price. Under the proposal, the unrelated order benefits from receiving an execution sooner than anticipated against liquidity that they may not have known was there at the time. The Exchange believes that the benefits of terminating the PRIME Auction early for both the Agency Order and the marketable unrelated order outweigh any marginal loss of opportunity from terminating at the NBBO versus the MBBO.

The following examples show how the proposed amendments to terminate the PRIME Auction and Solicitation Auction early upon the receipt of an unrelated order on the opposite side of the market from the RFR Responses that is marketable against the initiating price would affect the outcome of the PRIME Auction and Solicitation Auction.

Example 5 - Early Conclusion of Auction, limit order on the opposite side of the market from RFR Responses improves initiating price

NBBO = $1.20 - $1.24 200 x 200
BBO = $1.20 - $1.24 100 x 100
Agency Order to buy 20 contracts with a limit price of $1.22
Initiating Member's Contra Order selling 20 contracts at $1.22
RFR sent identifying the option, side and size, with an initiating price of $1.22
(Auction Starts)
- @ 300 milliseconds MM3 response received, AOC eQuote to Sell 20 at $1.22
- @ 310 milliseconds MM1 response received, AOC eQuote to Sell 20 at $1.22
- @ 430 milliseconds MM4 response received, AOC eQuote to Sell 20 at $1.22
- @ 450 milliseconds C1 Unrelated Order received Buy 100 at $1.23 (limit order to buy on the opposite side of the market from RFR Responses that improves (i.e., is priced higher than) the Agency Order's initiating price causes the Auction to conclude early)

Under this scenario, the Agency Order would be executed as follows:
1. 8 contracts trade with the Contra Order @ $1.22 (This satisfies their 40% participation guarantee)
2. 4 contracts trades with MM3 @ $1.22
3. 4 contracts trades with MM1 @ $1.22
4. 4 contracts trade with MM4 @ $1.22 (This fills the entire Agency Order)
5. C1 unrelated order then executes as follows:

a. 16 contracts trade with MM3 @ $1.22
b. 16 contracts trade with MM1 @ $1.22
c. 16 contracts trade with MM4 @ $1.22
d. Remaining contracts post to the Book as new BB paying $1.23 for 52 contracts

Example 6 - Early Conclusion of Auction, limit order on the opposite side of the market from RFR Responses matches the initiating price

NBBO = $1.20 - $1.24 200 x 200
BBO = $1.20 - $1.24 100 x 100
Agency Order to buy 20 contracts with a limit price of $1.22
Initiating Member's Contra Order selling 20 contracts at $1.22
RFR sent identifying the option, side and size, with an initiating price of $1.22
(Auction Starts)
- @ 300 milliseconds MM3 response received, AOC eQuote to Sell 20 at $1.22
- @ 310 milliseconds MM1 response received, AOC eQuote to Sell 20 at $1.22
- @ 430 milliseconds MM4 response received, AOC eQuote to Sell 20 at $1.22
- @ 450 milliseconds C1 Unrelated Order received Buy 100 at $1.22 (limit order to buy on the opposite side of the market from RFR Responses that matches the Agency Order's initiating price causes the Auction to conclude early)

Under this scenario, the Agency Order would be executed as follows:
1. 8 contracts trade with the Contra Order @ $1.22 (This satisfies their 40% participation guarantee)
2. 4 contracts trades with MM3 @ $1.22
3. 4 contracts trades with MM1 @ $1.22
4. 4 contracts trade with MM4 @ $1.22 (This fills the entire Agency Order)
5. C1 unrelated order then executes as follows:
   a. 16 contracts trade with MM3 @ $1.22
   b. 16 contracts trade with MM1 @ $1.22
   c. 16 contracts trade with MM4 @ $1.22
   d. Remaining contracts post to the Book as new BB paying $1.22 for 52 contracts

Example 7 – Solicitation Auction - Customer gets price improved for AON size, unrelated order on the opposite side of the market from RFR Responses ends auction and trades vs. responses

XYZ Jan 50 Calls
NBBO – 1.10-1.25
BBO – 1.10-1.30
Paired order to execute 2000 contracts AON (customer selling) @ 1.10

A RFR is broadcast to all subscribers showing option, size, side, and price; timer is started

System starts the auction at the Initiating Customer price to sell @ 1.10
- @ 100 milliseconds Response 1 to buy @ 1.10 2000 AOC order arrives
- @ 200 milliseconds Response 2 to buy @ 1.10 2000 AOC order arrives
- @ 220 milliseconds Response 3 to buy @ 1.10 5000 AOC order arrives

- @ 332 milliseconds Response 4 to buy @ 1.20 1000 AOC order arrives
- @ 400 milliseconds Response 5 to buy @ 1.15 2000 AOC order arrives
- @ 450 milliseconds, unrelated same side order arrives selling 100 @1.10 – (limit order to sell on the opposite side of the market from RFR Responses that is marketable against Initiating Price or RFR responses causes the Auction to conclude early)

Trade is allocated against Initiating Customer:
1. 1000 trade vs. Response 4 @ 1.20
2. 1000 trade vs. Response 5 @ 1.15
3. Solicited contra does not participate because entire size was price improved
4. Unrelated same side order trades 100 vs. Response 5 @1.15; balance of response size is cancelled

In Examples 5, 6,[10] and 7, the outcome of both the PRIME Auction and Solicitation

Auction will be identical under the proposal as the current approved Rule.[11] The Exchange notes

that there will be no impact on the allocation or priority.

The Exchange proposes to amend Rule 515A(a)(2)(ii) and Rule 515A(b)(2)(ii) to provide

that the PRIME Auction and Solicitation Auction will conclude any time an RFR response

matches the NBBO on the opposite side of the market from RFR responses. Currently, the Rules

state that the PRIME Auction will conclude any time an RFR response matches the MBBO on

the opposite side of the market from the RFR responses.[12] The proposed change will use the

NBBO as a trigger to cause the early termination of an Auction in lieu of the MBBO. The

Exchange proposes to make this enhancement to further ensure that the PRIME Auction and

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[10] The Commission notes that with respect to Examples 5 and 6, while the outcome of the PRIME auction is the same under the proposal as under the current Rule, the cause of early termination under the proposal differs from the current Rule. Under the current Rule, the PRIME auctions in Examples 5 and 6 would end early due to the receipt of an unrelated order on the same side of the market as the Agency Order that is marketable against an RFR response. See Rule 515A(a)(2)(ii)(B). However, under the amended Rule, the PRIME auctions would end early due to the receipt of an unrelated order on the same side as the Agency Order that is marketable against either the RFR responses or the initiating price. See amended Rule 515A(a)(2)(ii)(B). In both examples, the best RFR response matches the initiating price.

[11] See Notice, supra note 3, Examples 23 and 28.

[12] See Rules 515A(a)(2)(ii) and 515A(b)(2)(ii). See also CBOE Rules 6.74A(b)(2) and 6.74B(b)(2).

Solicitation Auction will work seamlessly with the national market system in a manner that would ensure a fair and orderly market by maintaining priority of orders and quotes while still affording the opportunity for price improvement on each Auction commenced on the Exchange. The Exchange believes that by using the NBBO instead of the MBBO as a reason for terminating an Auction early will improve the interaction between the Auction and the national market system.

The following examples show how the proposed amendments to use the NBBO as a trigger to cause the early termination of an Auction in lieu of the MBBO would affect the outcome of the PRIME Auction.

Example 8 – Single Price Submission, priority customer order on the Book on the same side locks the final Auction Price

NBBO = $1.15 - $1.25 200 x 200
BBO = $1.15 - $1.25 100 x 100
Agency Order to buy 50 contracts with a limit price of $1.20
Initiating Member's Contra Order selling 50 contracts with a single stop price of $1.20
RFR sent identifying the option, side and size, with initiating price of $1.20
(Auction Starts)
- @ 110 milliseconds MM1 response received, AOC eQuote to Sell 10 at $1.22
- @ 230 milliseconds MM4 response received, AOC eQuote to Sell 50 at $1.15 (response matches the opposite side NBB causes the Auction to conclude early)

Under this scenario the Agency Order would be executed as follows:
1. 50 contracts trade with MM4 @ $1.15 (This fills the entire Agency Order and Contra Order does not receive an execution)

Example 9 – Single Price Submission, priority customer order on the Book on the same side

NBBO = $1.15 - $1.25 200 x 200
BBO = $1.14 - $1.25 100 x 100
Agency Order to buy 50 contracts with a limit price of $1.20
Initiating Member's Contra Order selling 50 contracts with a single stop price of $1.20
RFR sent identifying the option, side and size, with initiating price of $1.20
(Auction Starts)
- @ 110 milliseconds MM1 response received, AOC eQuote to Sell 10 at $1.22
- @ 230 milliseconds MM4 response received, AOC eQuote to Sell 50 at $1.15 (response matches the opposite side NBB causes the Auction to conclude early)

Under this scenario the Agency Order would be executed as follows:
1. 50 contracts trade with MM4 @ $1.15 (This fills the entire Agency Order and Contra Order does not receive an execution)

In Example 8, since the MBBO is the same as the NBBO, the outcome of the PRIME Auction will be identical under the proposal as the current approved Rule.[13] However, in Example 9, under the proposal, the PRIME Auction terminates early anytime an RFR Response matches the NBBO on the opposite side of the market from the RFR Response, but not the MBBO. In contrast, in Example 9 under the current approved Rule, the PRIME Auction would not have terminated early upon the receipt of the unrelated order that is marketable against the NBBO and could have continued another 270 milliseconds.[14]

The Exchange notes that the proposed changes detailed above will likely result in both the shortening of the Auction Period and an increase in the frequency of early conclusions of the Auction for both the PRIME Auction and Solicitation Auction and the Agency Order potentially receiving less opportunity for price improvement. However, the Exchange believes that the benefits to market participants (including those participating in the Auctions and outside of the Auctions) as a result of the new proposed enhancements to make both the PRIME Auction and Solicitation Auction more integrated with the Exchange's Book and the national market system, exceed any potential loss of opportunity for price improvement caused by the proposed changes.

The Exchange proposes to amend Interpretations and Policies .06 and .07 of Rule 515A to provide that same treatment for interest subject to a route timer as the Rules currently provide for managed interest. Specifically, the Exchange proposes to amend Interpretation and Policy .06 to provide that if trading interest exists on the Exchange's Book that is subject to the managed interest process pursuant to Rule 515(c) or a route timer pursuant to Rule 529 for the

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[13]   See Notice, supra note 3; Rule 515A(a)(2)(ii)(D).

[14]   See Rule 515A(a)(2)(ii)(D).

option on the opposite of side of the market as the Agency Order and when the MBBO is equal

to the NBBO, the Agency Order will be automatically executed against the managed interest or

route timer interest if the execution would be at a price equal to or better than the initiating price

of the Agency Order. If the Agency Order is not fully executed after the managed interest or

route timer interest is fully exhausted and is no longer at a price equal to the initiating price of

the Agency Order, the Auction will be initiated for the balance of the order as provided in this

rule. With respect to any portion of an Agency Order that is automatically executed against

managed interest or route timer interest pursuant to this paragraph .06, the exposure requirements

contained in Rule 520(b) and (c) will not be satisfied just because the member utilized the

PRIME. Trading interest subject to a route timer on the opposite side of the market as the

Agency Order pursuant to Rule 515(c) is posted at one minimum trading increment away from

the NBBO, but is available for execution at the NBBO. In order to preserve the priority of

trading interest subject to a route timer against incoming RFR responses to the Auction of the

Agency Order, the System will execute the Agency Order to the extent possible. The Exchange

believes that this provision is necessary to ensure that PRIME works seamlessly with the

Exchange's Book in a manner that would ensure a fair and orderly market by maintaining

priority of orders and quotes while still affording the opportunity for price improvement on each

Auction commenced on the Exchange.

In addition, the Exchange proposes to amend Interpretation and Policy .07 to provide that

if trading interest exists on the Exchange's Book that is subject to the managed interest process

pursuant to Rule 515(c) or a route timer pursuant to Rule 529 for the option on the same side of

the market as the Agency Order, the Agency Order will be rejected by the System prior to

initiating an Auction or a Solicitation Auction. The Exchange also proposes to provide that if

trading interest exists on the MIAX Book that is subject to the liquidity refresh pause pursuant to

Rule 515(c) for the option on the same side or opposite side of the market as the Agency Order, the Agency Order will be rejected by the System prior to initiating an Auction or a Solicitation Auction. Trading interest subject to a liquidity refresh pause or a route timer is posted at one minimum trading increment away from the NBBO, but is available for execution at the NBBO. In order to preserve the priority of trading interest subject to a liquidity refresh pause or a route timer against incoming RFR responses to the Auction of the Agency Order, the System will reject the Agency Order. The Exchange believes that this provision is necessary to ensure that PRIME works seamlessly with the Exchange's Book in a manner that would ensure a fair and orderly market by maintaining priority of orders and quotes while still affording the opportunity for price improvement on each Auction commenced on the Exchange.

Finally, the Exchange proposes new Interpretation and Policy .09 to provide that if the market is locked or crossed as defined in Rule 1402 for the option, the Agency Order will be rejected by the System prior to initiating a PRIME Auction or a Solicitation Auction. The Exchange believes that this provision is necessary to ensure that PRIME works seamlessly with the national market system in a manner that would ensure a fair and orderly market by maintaining priority of orders and quotes while still affording the opportunity for price improvement on each Auction commenced on the Exchange.

The Exchange also proposes a couple minor technical changes to the Rules. The Exchange also proposes an updated comprehensive list of the data that the Exchange represents that it will collect in order to aid the Commission in its evaluation of the PRIME that incorporates the changes proposed.[15]

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[15]   See Rule 515A, Interpretations and Policies .08; Exhibit 3.

2.   Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b)[16] of the Act in general, and furthers the objectives of Section 6(b)(5)[17] of the Act in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposal to add the initiating price of the Auction and to use the NBBO as a trigger to cause the early termination of an Auction is designed to facilitate transactions, to remove impediments to and perfect the mechanism of a free and open market by freeing up interest in the Auction when conditions have changed that renders the initiating order no longer marketable to the benefit of market participants. The proposed enhancements to the Rules are designed to further ensure that the Auctions will work seamlessly with the national market system in a manner that would ensure a fair and orderly market by maintaining priority of orders and quotes while still affording the opportunity for price improvement on each Auction commenced on the Exchange. The Exchange believes that by using the NBBO instead of the MBBO as a reason for terminating an Auction early will improve the interaction between the Auction and the national market system.

The proposal to provide similar treatment for interest subject to a liquidity refresh pause and a route timer as the Rules currently provide for managed interest is also designed to ensure that PRIME works seamlessly with the Exchange's Book in a manner that would ensure a fair

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16   15 U.S.C. 78f(b).

17   15 U.S.C. 78f(b)(5).

and orderly market by maintaining priority of orders and quotes while still affording the opportunity for price improvement on each Auction commenced on the Exchange in a manner that also protects investors and the public interest.

Finally, the proposal to reject Agency Orders if the market is locked or crossed is designed to ensure that PRIME works seamlessly with the national market system in a manner that would ensure a fair and orderly market by maintaining priority of orders and quotes while still affording the opportunity for price improvement on each Auction commenced on the Exchange.

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 not necessary or appropriate in furtherance of the purposes of the Act. The PRIME Auction and Solicitation Auction are designed to increase competition for order flow on the Exchange in a manner intended to be beneficial to investors seeking to effect option orders with an opportunity to access additional liquidity and receive price improvement. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality. The Exchange believes that the proposed changes to the Auctions are pro-competitive by providing market participants with functionality that is similar to that of other options exchanges. The Exchange notes that not having the PRIME Auction and Solicitation Auction places the Exchange at a competitive disadvantage versus other exchanges that offer similar price improvement functionality.

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

Written comments were neither solicited nor received.

III.   Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

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[18] and

Rule 19b-4(f)(6)[19] 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

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

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[18]   15 U.S.C. 78s(b)(3)(A).

[19]   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.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2014-23 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MIAX-2014-23. 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 website (http://www.sec.gov/rules/sro.shtml).   Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written 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-MIAX-2014-23 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.[20]

Kevin M. O'Neill
Deputy Secretary

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[20] 17 CFR 200.30-3(a)(12).