SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75962; File No. SR-MIAX-2015-57)

September 22, 2015

Self-Regulatory Organizations: Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 503

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 September 21, 2015, 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 503.

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.

---

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 proposes to amend Rule 503 to codify existing functionality during the Exchange's Opening Process. Specifically, the Exchange is amending Rule 503(f) to address a discrepancy between the rule text description of how this process works and how it is actually working in production. Specifically, the Exchange proposes to amend the rule to provide that the System will use the Expanded Quote Range ("EQR") when there are quotes and orders that lock or cross each other. The proposal codifies the actual existing functionality during the Exchange's Opening Process. In addition, the Exchange proposes to relocate the EQR subsection that is currently in Rule 503(f)(5) to proposed Rule 503(f)(2)(i).

Currently Rule 503(f) provides that when there are quotes and orders that lock or cross an order, the System will use the highest bid and the lowest offer among valid width quotations received that have a bid/ask differential that is compliant with Rule 603(b)(4) to determine the highest quote bid and lowest quote offer.[3] If that price is within the highest valid width quote bid and lowest valid width quote offer and leaves no imbalance, the Exchange will open at that price, executing marketable trading interest, as long as the opening price includes only Exchange interest. Current Rule 503(f) also provides that the EQR[4] is only calculated when an imbalance occurs due to insufficient liquidity to satisfy all trading interest due an execution at a certain

3 See Exchange Rule 603(b)(4). See also Exchange Rule 503(e)(3), which states that "valid width quotations" are quotations that are compliant with Rule 603(b)(4) which provides the following criteria: (i) to price option contracts fairly by, among other things, bidding and offering so as to create differences of no more than $5 between the bid and offer ("bid/ask differentials") following the opening rotation in an equity option contract; and (ii) Exchange may establish differences other than the bid/ask differentials described in (i) above for one or more option series or classes.

4 See Exchange Rule 503(f)(5).

price.[5] In contrast, the System calculates and uses an EQR in all situations during the Exchange's Opening Process when there are quotes and orders that lock or cross - whether the lock or cross involves an order or a quote and whether or not there is an order imbalance.

While the System calculates EQR in either situation, it does not necessarily use the EQR in determining the calculated opening price where the maximum quantity of contracts may trade. For example, proposed Rule 503(f)(2)(iii) would state that in situations where there is matched interest that does not represent an imbalance and there is no valid width NBBO, the System will calculate a "quality opening market range" (as defined in a table to be determined by the Exchange and published in a Regulatory Circular) in such option series. If the matched interest would trade at a price outside of the quality opening market range, the imbalance process will be used.

The Exchange notes that in most situations there is no impact in the outcome of the opening due to the proposed change in the rule text to use the EQR instead of the highest bid and the lowest offer among valid width quotations received that have a bid/ask differential that is compliant with Rule 603(b)(4). For example – assume a quote bid of $1.00 for 5 contracts and a quote offer of $0.90 for 5 contracts on MIAX; away market 1 has a bid $0.01; away market 2 has an offer of $5.05. The Exchange should open because $.90 - $1.00 for 5 contracts on either side

---

5 See Exchange Rule 503(f)(5). Where there is an imbalance at the price at which the maximum number of contracts can trade that is also at or within the highest valid width quote bid and lowest valid width quote offer, the System will calculate an EQR. The EQR will be recalculated any time a Route Timer or Imbalance Timer expires if material conditions of the market (imbalance size, ABBO price or size, liquidity price or size, etc.) have changed during the timer. Once calculated, the EQR will represent the limits of the range in which transactions may occur during the opening process.

The EQR calculation itself varies depending upon the specific situation, as specified in current Rule 503(f)(5). The EQR calculation will differ depending upon whether one or more away markets have disseminated valid width quotes in the affected series (or) no away markets have disseminated valid width quotes in the affected series. See Exchange Rule 503(f).

is within a $5 bid/ask differential and leaves no imbalance. Instead, however, the System in this situation calculates a price range for the open based on an EQR to include the one or more away markets. After determining that the away markets do not have a valid width quote and that it is a crossed market ($0.01 bid by $5.05 offer is not a valid quote range), the System will calculate the EQR using the Exchange's highest valid width bid and lowest valid width offer ($.90 offer by $1.00 bid is a valid quote range). In this example, the Exchange would open the same under the proposed changes to Rule 503 as it does in the current version of the rule.

If the current rule were applied in situations where quotes or orders lock or cross, and there are no valid-width away markets, the System would have nonetheless calculated the highest bid and the lowest offer among valid width quotations received on MIAX that have a bid/ask differential that is compliant with Rule 603(b)(4). The following example illustrates this scenario.

<u>Invalid Width ABBO</u>

Assume a quote bid of $1.00 for 5 contracts and quote offer of $0.90 for 5 contracts on MIAX; assume away market 1 has a bid $0.10; away market 2 has an offer of $5.20 (an invalid width ABBO). The System in this situation calculates a price range for the open based on an EQR that does not include the one or more away markets. In this example, the System sets the EQR to $0.90 - $1.00, using the lowest quote offer and the highest quote bid.

<u>Valid Width ABBO</u>

Assume again a quote bid of $1.00 for 5 contracts and a quote offer of $0.90 for 5 contracts on MIAX; assume away market 1 has a bid $0.85; away market 2 has an offer of $1.10 (a valid width ABBO). The System in this situation calculates a price range for the open based on an EQR that includes the one or more away markets. After determining that the away markets have a valid width quote and that the MIAX market is crossed, the System sets the EQR to $0.85 - $1.10, using the valid-width ABBO.

If the current rule were applied, the System would have calculated the EQR if there had been an imbalance, using the Exchange's highest valid width bid and lowest valid width offer ($.90 offer by $1.00 bid is a valid quote range), and would open only within the limited $0.90 - $1.00 range. In each of the above examples, under the current rule and under the proposed change, the System would open with a trade of 5 contracts at $0.95, the price at which the greatest number of contracts can trade.

The following examples illustrate that the EQR is calculated in all situations, i.e., whether there is an imbalance or not. In the first example, assume quote bids of $0.90 and $0.80 for 5 contracts each, and quote offers of $1.00 and $1.10 of 5 contracts each on MIAX; assume away market 1 has a bid $0.10; away market 2 has an offer of $5.20 (invalid width ABBO). No Imbalance exists. Under the proposed Rule, an EQR calculation occurs, setting the EQR Minimum at the lowest bid minus the allowance per EQR Table ($0.75 in this case), and the EQR Maximum at the highest bid plus the allowance per EQR Table ($1.15 in this case). With no Imbalance and no crossing liquidity, no trade takes place.

Assume again quote bids of $0.90 and $0.80 for 5 contracts each, and quote offers of $1.00 and $1.10 of 5 contracts each on MIAX; assume away market 1 has a bid $0.10; away market 2 has an offer of $5.20 (invalid width ABBO). No Imbalance exists. If the current Rule were to be applied, since there is no Imbalance, an EQR calculation would not occur. With no Imbalance and no crossing quotes or orders, no trade would occur. In each of these examples, because there is no trade, the Exchange would open by disseminating a quote as described in current Rule 503(f)(1).[6]

In Examples 3 and 4, the only difference is whether an EQR is calculated or not. But no trade takes place in either case.

The Exchange believes that using the EQR instead of the current price range in Rule 503(f) is beneficial to market participants because the EQR provides a more accurate measure as to whether there is sufficient available liquidity in the broader market system to provide a fair and orderly opening process and sufficient price discovery for the options to open for trading because it incorporates the prices on away markets into its evaluation.

The Exchange also proposes to amend current Rule 503(f)(3) to provide that the provision applies to situations when the lock or cross involves an order or a quote, not just an order. Specifically, the Exchange proposes to provide that if there are quotes or orders that lock or cross, the System will use the EQR to determine the highest and lowest price of the opening price range. Currently, to calculate the opening price, the System will take into consideration all valid Exchange quotes and all valid orders, together with other exchanges' markets for the series and identify the price at which the maximum number of contracts can trade. If that price is within the EQR and leaves no imbalance, the Exchange will open at that price, executing marketable trading interest, as long as the opening price includes only Exchange interest.

In addition, the Exchange proposes relocating the EQR subsection that is currently in Rule 503(f)(5) to proposed Rule 503(f)(2)(i). The Exchange believes that this change will reduce the potential for any confusion on the part of its members as to when the EQR is

[6] Current Rule 503(f)(1) states that if there are no quotes or orders that lock or cross each other, the System will open by disseminating the Exchange's best bid and offer among quotes and orders that exist in the System at that time.

calculated and used during the Exchange's Opening Process. The Exchange also proposes deleting language regarding the imbalance from current Rule 503(f)(7) and relocating the subsection that is currently in Rule 503(f)(7) to proposed Rule 503(f)(2)(iii). In addition, the Exchange also proposes technical changes to the number formatting in current Rule 503(f) in order to reduce the potential for confusion as to which provisions in Rule 503(f) apply to situations where there are quotes and orders that lock and cross each other.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act[7] in general, and furthers the objectives of Section 6(b)(5) of the Act[8] 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 proposed amendments remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest by amending the rules regarding the Exchange's Opening Process. The inclusion of the functionality of the System in the rules promotes transparency and clarity in the Exchange's Opening Process. The transparency and accuracy resulting from the codification of this functionality is consistent with the Act because it removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest, by accurately describing the steps taken by the System in the

[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(5).

limited scenario where the Exchange's opening quote is crossed by orders that have the same size. Participants in the Exchange's opening will have a better understanding of the Exchange's opening process when there are quotes and orders that lock and cross each other. In addition, the Exchange believes that the function of the EQR itself is designed to promote just and equitable principles of trade by providing a clear and objective method to enable a fair and orderly opening on the exchange to the benefits of investors and the public interest.

The Exchange believes that using the EQR instead of the current price range in Rule 503(f) is beneficial to market participants because the EQR represents a more accurate measure of the true market for an option on the opening (especially after providing participants with an opportunity to submit new quotes before the EQR is calculated). This step providing that opportunity, now codified in the Rule should reduce the probability of imbalances and will assure participants in the Exchange's opening process that they have the ability to submit new opening quotes in response to an imbalance message. This process is fair because it provides such an opportunity for all participants, and is orderly because that opportunity must take place before the EQR is calculated. Moreover, the imbalance message followed by the EQR calculation is more efficient because it functions to eliminate unnecessary delays in the opening process by allowing participants to submit new quotations against which opening orders and quotes may trade.

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. Specifically, the Exchange believes the proposed changes will not impose any burden on intra-market competition because it applies to all MIAX participants equally. In addition, the

Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing further transparency regarding the Exchange's Opening Process. The Exchange believes that using the EQR instead of the current price range in Rule 503(f) is beneficial to market participants because the EQR provides a more accurate measure as to whether there is sufficient available liquidity in the broader market system to provide a fair and orderly opening process and sufficient price discovery for the options to open for trading to the benefit of investors. As such, the Exchange believes that the EQR will not be a burden on competition, but rather promote more trading opportunities and competition during the opening since it is designed to promote just and equitable principles of trade by providing a clear and objective method to enable a fair and orderly opening on the exchange to the benefits of investors and the public interest.

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[9] and Rule 19b-4(f)(6)[10] thereunder.

---

9 15 U.S.C. 78s(b)(3)(A).

10 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.

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2015-57 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-2015-57. 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-2015-57 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.[11]

Robert W. Errett
Deputy Secretary

---

11 17 CFR 200.30-3(a)(12).