

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76237; File No. SR-MIAX-2015-60)

October 22, 2015

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Pilot Period Applicable to Rule 521 and Rule 530 Relating to Limit Up/Limit Down

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 20, 2015, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 the Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend (i) Exchange Rule 530 (Limit Up-Limit Down) to extend the pilot period for the treatment of erroneous transactions during a Limit or Straddle State and (ii) Interpretations and Policies .01 to Rule 521 (Nullification and Adjustment of Options Transactions Including Obvious Errors) to clarify that the pilot period during which an execution will not be subject to review as an Obvious Error or Catastrophic Error will coincide with the pilot period for the LULD Plan (as defined below).

The text of the proposed rule change is available on the Exchange’s website at [http://www.miaxoptions.com/filter/wotitle/rule\\_filing](http://www.miaxoptions.com/filter/wotitle/rule_filing), at MIAX’s principal office, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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.

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 530 (Limit Up-Limit Down) in order to extend the pilot period for the treatment of erroneous transactions that occur in a Limit or Straddle State to coincide with the proposed extension of the pilot period for the LULD Plan (as defined below), including any extensions to the pilot period for the LULD Plan.

Exchange Rule 530(j) provides for the treatment of erroneous transactions occurring during Limit and Straddle States. Specifically, once an NMS Stock has entered a Limit or Straddle State, the Exchange will nullify a transaction in an option overlying such an NMS Stock as provided in Rule 530(j). This provision was adopted for a one year pilot period beginning on the date of the implementation of the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, April 8, 2013 (the "LULD Plan").<sup>3</sup> The Exchange previously

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<sup>3</sup> See Exchange Rule 503(j). See also Securities Exchange Act Release Nos. 69210 (March 22, 2013), 78 FR 18637 (March 27, 2013) (SR-MIAX-2013-12); 69342 (April 8, 2013), 78 FR 22017 (April 12, 2013) (SR-MIAX-2013-12); 69234 (March 25, 2013), 78 FR 19344 (March 29, 2013) (SR-MIAX-2013-15); 69354 (April 9, 2013), 78 FR 22357 (April 15, 2013) (SR-MIAX-2013-15).

extended the pilot period for Rule 530(j) until October 23, 2015.<sup>4</sup> The Exchange now proposes to extend the pilot period for Rule 530(j) to coincide with the proposed extension of the pilot period for the LULD Plan, including any extensions to the pilot period for the LULD Plan, in order to allow the Exchange and the Commission additional time to collect and analyze data regarding the impact of Rule 530(j) on liquidity and market quality in the options markets.<sup>5</sup>

To assist the Commission in its analysis, the Exchange will provide the Commission and the public with data and analysis during the duration of the pilot in order to evaluate the impact of Limit and Straddle States on liquidity and market quality in the options markets. Specifically, on a date not later than five (5) months prior to the pilot expiration date, including any extensions of the pilot period, the Exchange represents that it shall provide the Commission and the public assessments relating to the impact of the obvious error Rules during Limit and Straddle States that (i) evaluate the statistical and economic impact of Limit and Straddle States on liquidity and market quality in the options markets; and (ii) assess whether the lack of obvious error rules in effect during the Straddle and Limit States are problematic. If the LULD Plan extension is approved the next data assessment will be due no later than December 18, 2015. Additionally, each month during the pilot period the Exchange shall provide to the Commission and the public a dataset containing the data for each Straddle and Limit State in optionable stocks. For each

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<sup>4</sup> See Securities Exchange Act Release No. 74307 (February 19, 2015), 80 FR 10196 (February 25, 2015) (SR-MIAX-2015-11).

<sup>5</sup> Currently the pilot period for the LULD Plan is proposed to be extended until April 22, 2016. See Joint Industry Plan; Notice of Filing of the Ninth Amendment to the National Market System Plan to Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Inc., Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc., Securities Exchange Act Release No. 75917 (September 14, 2015), 80 FR 56515 (September 18, 2015).

stock that reaches a Straddle or Limit State, the number of options included in the dataset can be reduced by selecting options in which at least one (1) trade occurred on the Exchange during the Straddle or Limit State. For each of those options affected, each data record should contain the following information: (i) Stock symbol, option symbol, time at the start of the straddle or limit state, an indicator for whether it is a straddle or limit state; and (ii) for activity on the exchange – (A) executed volume, time-weighted quoted bid-ask spread, time-weighted average quoted depth at the bid, time-weighted average quoted depth at the offer, (B) high execution price, low execution price, (C) number of trades for which a request for review for error was received during Straddle and Limit States, (D) an indicator variable for whether those options outlined above have a price change exceeding 30% during the underlying stock’s Limit or Straddle state compared to the last available option price as reported by OPRA before the start of the Limit or Straddle state (1 if observe 30% and 0 otherwise) and another indicator variable for whether the option price within five minutes of the underlying stock leaving the Limit or Straddle state (or halt if applicable) is 30% away from the price before the start of the Limit or Straddle state.

The Exchange also proposes to amend Interpretations and Policies .01 to Rule 521 (Nullification and Adjustment of Options Transactions Including Obvious Errors) to take out the actual end date of the pilot period during which an execution will not be subject to review as an Obvious Error or Catastrophic Error pursuant to paragraph (c) or (d) of Rule 521 if it occurred while the underlying security was in a “Limit State” or “Straddle State,” as defined in the LULD Plan, and instead clarify that the pilot period will coincide with the pilot period for the LULD Plan, including any extensions to the pilot period for the LULD Plan.

## 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>7</sup> 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. Specifically, the proposal supports the objectives of perfecting the mechanism of a free and open market and the national market system because it promotes uniformity across markets concerning when and how to halt trading in all stock options as a result of extraordinary market volatility. In addition, the Exchange believes that the extension of the pilot to coincide with the pilot period for the LULD Plan will help ensure that market participants continue to benefit from the protections of the Limit Up-Limit Down Rules which will protect investors and the public interest while allowing the Exchange and the Commission additional time to collect and analyze data regarding the impact of Rules on liquidity and market quality in the options markets.

### 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 proposed changes are being made to extend the pilot program that provides for how the Exchange shall treat orders and quotes in options overlying NMS stocks when the Limit Up-Limit Down Plan is in effect and will not impose any burden on competition while providing certainty of treatment and execution of options orders during periods of extraordinary volatility

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

in the underlying NMS stock, and facilitating appropriate liquidity during a Limit State or Straddle State.

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 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 from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>9</sup>

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as it will allow the obvious error pilot program to continue uninterrupted while the industry gains further experience operating under the LULD Plan, and avoid any investor confusion that could result from a temporary interruption in the pilot program. For this reason,

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of 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 Commission designates the proposed rule change to be operative upon filing.<sup>10</sup>

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](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2015-60 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-MIAX-2015-60. 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

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<sup>10</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such 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-2015-60, 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.<sup>11</sup>

Brent J. Fields  
Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).