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

File No.* SR - 2015 - * 63

Amendment No. (req. for Amendments *)

Filing by Miami International Securities Exchange, LLC.

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Rule

Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)

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

Security-Based Swap Submission pursuant
to the Securities Exchange Act of 1934Section 806(e)(1) * Section 806(e)(2) * 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 *).

Proposed rule change relating to information barriers.

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 * Richard Last Name * Rudolph

Title * Vice President and Senior Counsel

E-mail * rrudolph@miami-holdings.com

Telephone * (609) 897-1484

Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 11/04/2015

Vice President and Senior Counsel

By Richard S. Rudolph

(Name *)

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

Persona Not Validated - 1427205277040,

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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 *

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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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance 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, security-based swap submission, or advance notice 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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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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 4 - Marked Copies

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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

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

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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) Miami International Securities Exchange, LLC (“MIAX” or “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 adopt a principles-based approach to prohibit the misuse of material, non-public information by Exchange Market Makers³ by deleting Exchange Rule 610, Limitations on Dealings.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and a copy of the applicable section of the proposed Fee Schedule 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 senior management of the Exchange pursuant to authority delegated by the MIAX Board of Directors on December 11, 2014. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Market Makers” refers to “Lead Market Makers,” “Primary Lead Market Makers” and “Registered Market Makers” collectively. A Lead Market Maker (“LMM”) is a Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of the Exchange Rules with respect to Lead Market Makers. A Primary Lead Market Maker (“PLMM”) is a Lead Market Maker appointed by the Exchange to act as the Primary Lead Market Maker for the purpose of making markets in securities traded on the Exchange. A Registered Market Maker (“RMM”) is a Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange, who is not a Lead Market Maker. See Exchange Rule 100.

action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Richard S. Rudolph, Vice President and Senior Counsel, at 609-897-1484.

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

a. Purpose

The Exchange proposes to adopt a principles-based approach to prohibit the misuse of material, non-public information by Market Makers by deleting Rule 610 (Limitations on Dealings). In so doing, the Exchange would harmonize its rules amongst its Members⁴ relating to protecting against the misuse of material, non-public information. The Exchange believes that Rule 610 is no longer necessary because all Members, including Market Makers, are subject to the Exchange's general principles-based requirements governing the protection against the misuse of material, non-public information, pursuant to Exchange Rule 303 (Prevention of the Misuse of Material Nonpublic Information), which obviates the need for separately-prescribed requirements for a subset of market participants on the Exchange.

Background

The Exchange has three classes of registered Market Makers. Pursuant to Rule 600, a Market Maker is a Member with Registered Options Traders that is registered with the Exchange for the purpose of making transactions as a dealer-specialist. As the rule further provides, a Market Maker can be either a RMM, a LMM or a PLMM. All Market Makers are subject to the requirements of Rules 603 and 604, which set forth the obligations of Market Makers, particularly relating to quoting.

⁴ The term "Member" means an individual or organization approved to exercise trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

Rule 603 specifies the obligations of Market Makers, which include making markets “that, absent changed market conditions, will be honored for the number of contracts entered into the Exchange’s System in all series of options classes to which the Market Maker is appointed.” The quoting obligations of Market Makers are set forth in Rule 604. Rules 603 and 604 describe the heightened obligations of a PLMM as distinguished from other Market Makers. Importantly, all Market Makers have access to the same information in the order book that is available to all other market participants. Moreover, none of the Exchange’s Market Makers have agency obligations to the Exchange’s order book.

Notwithstanding that Market Makers have access to the same Exchange trading information as all other market participants on the Exchange, the Exchange has specific rules governing how Market Makers may operate. Rule 610(a) provides that “[n]o Member, other than a Market Maker acting pursuant to Rule 603, limited partner, officer, employee, approved person(s), who is affiliated with a Market Maker or Member, shall, during the period of such affiliation, purchase or sell any option in which such Market Maker is appointed for any account in which such person(s) has a direct or indirect interest.” Rule 610(b) further provides that an approved person or Member affiliated with a Member is not subject to the restrictions in Rule 610(a) if the affiliated Market Maker implements detailed Exchange-approved procedures to restrict the flow of material, non-public information to such affiliated party. The Exemption Guidelines set forth in Rule 610(e) through (j) outline the organizational structure of the so-called “Chinese Wall” procedures which are also referred to as an “Information Barrier”, which a Market Maker must implement to be exempt from the requirements of Rule 610(a). The Information Barrier is meant to ensure that an affiliate of a Market Maker will not have access to material, non-public information and that a Market Maker will not misuse material, non-public

information obtained from an affiliated Member.

Proposed Rule Change

The Exchange believes that the Exemption Guidelines in Rule 610 for Market Makers are no longer necessary and proposes to delete the Rule. Rather, the Exchange believes that Rule 303 governing the misuse of material, non-public information provides for an appropriate, principles-based approach to prevent the market abuses Rule 610 is designed to address. Specifically Rule 303 requires every Member to establish, maintain and enforce written procedures reasonably designed, taking into consideration the nature of such Member's business, to prevent the misuse of material, non-public information by such Member or persons associated with such Member. For purposes of this requirement, the misuse of material, non-public information includes, but is not limited to, the following:

- (a) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer; or
- (b) Trading in a security or related options or other derivative securities, while in possession of material non-public information concerning imminent transactions in the security or related securities; or
- (c) Disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material, non-public information.⁵

Because Market Makers are already subject to the requirements of Rule 303 and because

⁵ See Exchange Rule 303, Interpretations and Policies .01.

Market Makers do not have any trading or information advantage over other Members, the Exchange does not believe that it is necessary to separately require specific limitations on dealings between Market Makers and their affiliates. Deleting Rule 610 would provide Market Makers and Members with the flexibility to adapt their policies and procedures as reasonably designed to reflect changes to their business model, business activities, or the securities market in a manner similar to how Members on the Exchange currently operate and consistent with Rule 303.

As noted above, PLMMs are distinguished under Exchange rules from other Market Makers only to the extent that PLMMs have heightened obligations. However, none of these heightened obligations provides different or greater access to non-public information than any other market participant on the Exchange.⁶ Specifically, Market Makers on the Exchange do not have access to trading information provided by the Exchange, either at, or prior to, the point of execution, that is not made available to all other market participants on the Exchange in a similar manner. Further, as noted above, Market Makers on the Exchange do not have any agency responsibilities for orders on the order book. Accordingly, because Market Makers do not have any trading advantages at the Exchange due to their market role, the Exchange believes that they should be subject to the same rules as Members regarding the protection against the misuse of material, non-public information, which in this case, is existing Rule 303.

The Exchange notes that even with this proposed rule change, pursuant to Rule 303, a Market Maker would still be obligated to ensure that its policies and procedures reflect the current state of its business and continue to be reasonably designed to achieve compliance with applicable federal securities law and regulations, and with applicable Exchange rules, including

⁶ See Exchange Rules 603 and 604.

being reasonably designed to protect against the misuse of material, non-public information. While an Information Barrier would not specifically be required under the proposal, Rule 303 already requires that a Member consider its business model or business activities in structuring its policies and procedures, which may dictate that an information barrier or other type of functional separation be part of the set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities law and regulations, and with applicable Exchange rules.

The Exchange is not proposing to change what is considered to be material, non-public information, and thus does not expect there to be any changes to the types of information that an affiliated person of a Market Maker could share with such Market Maker. In that regard, the proposed rule change will not permit an Electronic Exchange Member to have access to any non-public order or quote information of the affiliated Market Maker, including hidden or undisplayed size or price information of such orders and quotes. Market Makers are not allowed to post hidden or undisplayed orders and quotes on the Exchange. Members do not expect to receive any additional order or quote information as a result of this proposed rule change.

Further, the Exchange does not believe that there will be any material change to existing Member Information Barriers as a result of removal of the Exchange's pre-approval requirements. In fact, the Exchange anticipates that eliminating the pre-approval requirement should facilitate implementation of changes to Member Information Barriers as necessary to protect against the misuse of material, non-public information. The Exchange also suggests that the pre-approval requirement is unnecessary because Market Makers now do not have agency responsibilities to the book, or time and place information advantages because of their market

role.⁷ Moreover, the policies and procedures of Market Makers, including those relating to Information Barriers, would be subject to review by FINRA, on behalf of the Exchange, pursuant to a Regulatory Services Agreement.

The Exchange further notes that under Rule 303, a Member would be able to structure its firm to provide for its options Market Makers, as applicable, to be structured with its equities and customer-facing businesses, provided that any such structuring would be done in a manner reasonably designed to protect against the misuse of material, non-public information. For example, pursuant to Rule 303 a Market Maker on the Exchange could be in the same independent trading unit, as defined in Rule 200(f) of Regulation SHO,⁸ as an equities market maker and other trading desks within the firm, including options trading desks, so that the firm could share post-trade information to better manage its risk across related securities. The Exchange believes it is appropriate, and consistent with Rule 303 and Section 15(g) of the Act⁹ for a firm to share options position and related hedging position information (e.g., equities, futures, and foreign currency) within a firm to better manage risk on a firm-wide basis. The Exchange notes, however, that if so structured, a firm would need to have policies and procedures, including Information Barriers as applicable, reasonably designed to protect against the misuse of material, non-public information, and specifically customer information, consistent with Rule 303.

The Exchange believes that the proposed reliance on the principles-based Rule 303 would

⁷ Member applicants are required to have information barrier policies and procedures in place and must represent that they comply with this requirement in their application for membership to MIAX.

⁸ 17 CFR Part 242.200(f).

⁹ 15 U.S.C. 78o(g).

ensure that a Member that operates a Market Maker would be required to protect against the misuse of any material, non-public information. As noted above, Rule 303 already requires that firms refrain from trading while in possession of material, non-public information concerning imminent transactions in the security or related product. The Exchange believes that moving to a principles-based approach rather than prescribing how and when to wall off a Market Maker from the rest of the firm would provide Members operating as Market Makers with appropriate tools to better manage risk across a firm, including integrating options positions with other positions of the firm or, as applicable, by the respective independent trading unit. Specifically, the Exchange believes that it is appropriate for risk management purposes for a Member operating a Market Maker to be able to consider both options Market Maker traded positions for purposes of calculating net positions consistent with Rule 200 of Regulation SHO, calculating intra-day net capital positions, and managing risk generally, and in compliance with Rule 15c3-5 under the Act (the “Market Access Rule”).¹⁰ The Exchange notes that any risk management operations would need to operate consistent with the requirement to protect against the misuse of material, non-public information.

The Exchange further notes that if Market Makers are integrated with other market making operations, they would be subject to existing rules that prohibit Members from disadvantaging their customers or other market participants by improperly capitalizing on a member organization’s access to the receipt of material, non-public information. As such, a member organization that integrates its market maker operations together with equity market making would need to protect customer information consistent with existing obligations to protect such information. The Exchange has rules prohibiting Members from disadvantaging

¹⁰ 17 CFR Part 240.15c3-5.

their customers or other market participants by improperly capitalizing on the Members' access to or receipt of material, nonpublic information. For example, Exchange Rule 1308 (Supervision of Accounts) requires Members to develop and maintain adequate controls over each of its business activities and to be responsible for internal supervision and control of the organization and compliance with securities laws and regulations.¹¹ Additionally, Rule 301 (Just and Equitable Principles of Trade) prevents a person associated with a Member, who has knowledge of all material terms and conditions of (i) an order and a solicited order, (ii) an order being facilitated, or (iii) orders being crossed; the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument unless certain circumstances are met.¹²

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b)¹³ of the Act in general, and furthers the objectives of Section 6(b)(5)¹⁴ 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 Exchange believes that the proposed rule change would remove impediments to and

¹¹ See Exchange Rule 1308.

¹² See Exchange Rule 301, Interpretations and Policies .02.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

perfect the mechanism of a free and open market by adopting a principles-based approach to permit a Member operating a Market Maker to maintain and enforce policies and procedures to, among other things, prohibit the misuse of material, non-public information and eliminate restrictions on how a Member structures its market making operations. The Exchange notes that the proposed rule change is based on an approved rule of the Exchange to which Market Makers are already subject, Rule 303, thus Market Makers would continue to be subject to current Exchange rules and to the requirements under the Act¹⁵ for protecting material, non-public order information. The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market because it would harmonize the Exchange's approach to protecting against the misuse of material, non-public information and no longer subject Market Makers to additional requirements. The Exchange does not believe that the existing requirements applicable to Market Makers are narrowly tailored to their respective roles because neither market participant has access to Exchange trading information in a manner different from any other market participant on the Exchange and they do not have agency responsibilities to the order book.

The Exchange further believes the proposal is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because existing rules make clear to Market Makers and Members the type of conduct that is prohibited by the Exchange. While the proposal eliminates specific requirements relating to the misuse of material, non-public information requiring pre-approval by the Exchange, Market Makers and Members would remain subject to existing Exchange rules requiring them to establish and

¹⁵ See, e.g., 15 U.S.C. 78o(g).

maintain systems to supervise their activities, and to create, implement, and maintain written procedures that are reasonably designed to comply with applicable securities laws and Exchange rules, including the prohibition on the misuse of material, non-public information.

The Exchange notes that the proposed rule change would still require that Members operating Market Makers maintain and enforce policies and procedures reasonably designed to ensure compliance with applicable federal securities laws and regulations and with Exchange rules. Even though there would no longer be pre-approval of Market Maker Information Barriers, any Market Maker's written policies and procedures would continue to be subject to oversight by the Exchange and therefore the elimination of prescribed restrictions should not reduce the effectiveness of the Exchange rules to protect against the misuse of material, non-public information. Rather, Members will be able to utilize a flexible, principles-based approach to modify their policies and procedures as appropriate to reflect changes to their business model, business activities, or to the securities market itself. Moreover, while specified Information Barriers may no longer be required, a Member's business model or business activities may dictate that an Information Barrier or functional separation be part of the set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules. The Exchange therefore believes that the proposed rule change will maintain the existing protection of investors and the public interest that is currently applicable to Market Makers, while at the same time removing impediments to and perfecting a free and open market by moving to a principles-based approach to protect against the misuse of material non-public information.

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

MIAX does not believe that the proposed rule changes will impose any burden on

competition not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes that the proposal will enhance competition by allowing Market Makers to comply with applicable Exchange rules in a manner best suited to their business models, business activities, and the securities markets, thus reducing regulatory burdens while still ensuring compliance with applicable securities laws and regulations and Exchange rules. The Exchange believes that the proposal will foster a fair and orderly marketplace without being overly burdensome upon Market Makers.

Moreover, the Exchange believes that the proposed rule change would eliminate a burden on competition for Members which currently exists as a result of disparate rule treatment between the options and equities markets regarding how to protect against the misuse of material, non-public information. For those Members that are also members of equity exchanges, their respective equity market maker operations are now subject to a principles-based approach to protecting against the misuse of material non-public information.¹⁶ The Exchange believes it would remove a burden on competition to enable Members to similarly apply a principles-based approach to protecting against the misuse of material, non-public information in the options space. To this end, the Exchange notes that Rule 303 still requires a Member that operates as a Market Maker on the Exchange to evaluate its business to assure that its policies and procedures

¹⁶ See Securities Exchange Act Release Nos. 60604 (Sept. 2, 2009), 76 FR 46272 (Sept. 8, 2009) (SR-NYSEArca-2009-78) (Order approving elimination of NYSE Arca rule that required market makers to establish and maintain specifically prescribed information barriers, including discussion of NYSE Arca and Nasdaq rules) (“Arca Approval Order”); 61574 (Feb. 23, 2010), 75 FR 9455 (Mar. 2, 2010) (SR-BATS-2010-003) (Order approving amendments to BATS Rule 5.5 to move to a principles-based approach to protecting against the misuse of material, non-public information, and noting that the proposed change is consistent with the approaches of NYSE Arca and Nasdaq) (“BATS Approval Order”); and 72534 (July 3, 2014), 79 FR 39440 (July 10, 2014), SR-NYSE-2014-12) (Order approving amendments to NYSE Rule 98 governing designated market makers to move to a principles-based approach to prohibit the misuse of material non-public information) (“NYSE Approval Order”).

are reasonably designed to protect against the misuse of material, non-public information.

However, with this proposed rule change, a Member that trades equities and options could look at its firm more holistically to structure its operations in a manner that provides it with better tools to manage its risks across multiple security classes, while at the same time protecting against the misuse of material non-public information.

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

No written comments were either solicited or received.

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)(ii) of the Act,¹⁷ and Rule 19b-4(f)(6)¹⁸ 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 believes that the proposed rule change will not impose any significant burden on competition, or significantly affect the protection of investors or the public interest, and therefore qualifies as “non-controversial” under Rule 19b-4(f)(6). Other exchanges have already adopted substantially similar approaches to Information Barriers and therefore, this does

¹⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁸ 17 CFR 240.19b-4(f)(6).

not raise any new or novel issues.¹⁹ Accordingly, with these changes, the MIAX Rules governing Information Barriers will now be consistent with the rules of BOX Options Exchange LLC (“BOX”), International Securities Exchange (“ISE”) and NYSE MKT LLC. (“NYSE Amex”) and their changes to their similar rules.

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 Act²⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)²¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30-day operative delay. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to adopt a principles-based approach to protecting against the misuse of material non-public information in the options market. For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 of the Act.

At any time within 60 days of the filing of the proposed rule change, the Commission

¹⁹ See Securities Exchange Act Release Nos. 75916 (September 14, 2015), 80 FR 56503 (September 18, 2015) (SR-BOX-2015-31); 75792 (August 31, 2015), 80 FR 53601 (September 4, 2015) (SR-ISE-2015-26); 75432 (July 12, 2015), 80 FR 42597 (July 17, 2015), (SR-NYSEMKT-2015-23); 65893 (December 5, 2011), 76 FR 77030 (December 9, 2011) (SR-NYSE Amex-2011-92).

²⁰ 17 CFR 240.19b-4(f)(6).

²¹ 17 CFR 240.19b-4(f)(6).

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.

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

The proposed rule change, which deletes Rule 610, is based on the rules of BOX, ISE and NYSE Amex, each of which has deleted similar specific Information Barrier requirements for their Members.²²

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 the proposed rule change.

²² See supra note 19.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**
(Release No. 34- ; File No. SR-MIAX-2015-63)

November __, 2015

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Delete Exchange Rule 610, Limitations on Dealings.

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 November 4, 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 adopt a principles-based approach to prohibit the misuse of material, non-public information by Exchange Market Makers³ by deleting Exchange

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Market Makers” refers to “Lead Market Makers,” “Primary Lead Market Makers” and “Registered Market Makers” collectively. A Lead Market Maker (“LMM”) is a Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of the Exchange Rules with respect to Lead Market Makers. A Primary Lead Market Maker (“PLMM”) is a Lead Market Maker appointed by the Exchange to act as the Primary Lead Market Maker for the purpose of making markets in securities traded on the Exchange. A Registered Market Maker (“RMM”) is a Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange, who is not a Lead Market Maker. See Exchange Rule 100.

Rule 610, Limitations on Dealings.

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.

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

1. Purpose

The Exchange proposes to adopt a principles-based approach to prohibit the misuse of material, non-public information by Market Makers by deleting Rule 610 (Limitations on Dealings). In so doing, the Exchange would harmonize its rules amongst its Members⁴ relating to protecting against the misuse of material, non-public information. The Exchange believes that Rule 610 is no longer necessary because all Members, including Market Makers, are subject to the Exchange's general principles-based requirements governing the protection against the misuse of material, non-public information, pursuant to Exchange Rule 303 (Prevention of the Misuse of Material Nonpublic Information), which obviates the need for separately-prescribed

⁴ The term "Member" means an individual or organization approved to exercise trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

requirements for a subset of market participants on the Exchange.

Background

The Exchange has three classes of registered Market Makers. Pursuant to Rule 600, a Market Maker is a Member with Registered Options Traders that is registered with the Exchange for the purpose of making transactions as a dealer-specialist. As the rule further provides, a Market Maker can be either a RMM, a LMM or a PLMM. All Market Makers are subject to the requirements of Rules 603 and 604, which set forth the obligations of Market Makers, particularly relating to quoting.

Rule 603 specifies the obligations of Market Makers, which include making markets “that, absent changed market conditions, will be honored for the number of contracts entered into the Exchange’s System in all series of options classes to which the Market Maker is appointed.” The quoting obligations of Market Makers are set forth in Rule 604. Rules 603 and 604 describe the heightened obligations of a PLMM as distinguished from other Market Makers. Importantly, all Market Makers have access to the same information in the order book that is available to all other market participants. Moreover, none of the Exchange’s Market Makers have agency obligations to the Exchange’s order book.

Notwithstanding that Market Makers have access to the same Exchange trading information as all other market participants on the Exchange, the Exchange has specific rules governing how Market Makers may operate. Rule 610(a) provides that “[n]o Member, other than a Market Maker acting pursuant to Rule 603, limited partner, officer, employee, approved person(s), who is affiliated with a Market Maker or Member, shall, during the period of such affiliation, purchase or sell any option in which such Market Maker is appointed for any account in which such person(s) has a direct or indirect interest.” Rule 610(b) further provides that an approved person or Member affiliated with a Member is not subject to the restrictions in Rule

610(a) if the affiliated Market Maker implements detailed Exchange-approved procedures to restrict the flow of material, non-public information to such affiliated party. The Exemption Guidelines set forth in Rule 610(e) through (j) outline the organizational structure of the so-called “Chinese Wall” procedures which are also referred to as an “Information Barrier”, which a Market Maker must implement to be exempt from the requirements of Rule 610(a). The Information Barrier is meant to ensure that an affiliate of a Market Maker will not have access to material, non-public information and that a Market Maker will not misuse material, non-public information obtained from an affiliated Member.

Proposed Rule Change

The Exchange believes that the Exemption Guidelines in Rule 610 for Market Makers are no longer necessary and proposes to delete the Rule. Rather, the Exchange believes that Rule 303 governing the misuse of material, non-public information provides for an appropriate, principles-based approach to prevent the market abuses Rule 610 is designed to address. Specifically Rule 303 requires every Member to establish, maintain and enforce written procedures reasonably designed, taking into consideration the nature of such Member’s business, to prevent the misuse of material, non-public information by such Member or persons associated with such Member. For purposes of this requirement, the misuse of material, non-public information includes, but is not limited to, the following:

- (a) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer; or
- (b) Trading in a security or related options or other derivative securities, while in possession of material non-public information concerning imminent transactions in the security or related securities; or

- (c) Disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material, non-public information.⁵

Because Market Makers are already subject to the requirements of Rule 303 and because Market Makers do not have any trading or information advantage over other Members, the Exchange does not believe that it is necessary to separately require specific limitations on dealings between Market Makers and their affiliates. Deleting Rule 610 would provide Market Makers and Members with the flexibility to adapt their policies and procedures as reasonably designed to reflect changes to their business model, business activities, or the securities market in a manner similar to how Members on the Exchange currently operate and consistent with Rule 303.

As noted above, PLMMs are distinguished under Exchange rules from other Market Makers only to the extent that PLMMs have heightened obligations. However, none of these heightened obligations provides different or greater access to non-public information than any other market participant on the Exchange.⁶ Specifically, Market Makers on the Exchange do not have access to trading information provided by the Exchange, either at, or prior to, the point of execution, that is not made available to all other market participants on the Exchange in a similar manner. Further, as noted above, Market Makers on the Exchange do not have any agency responsibilities for orders on the order book. Accordingly, because Market Makers do not have any trading advantages at the Exchange due to their market role, the Exchange believes that they should be subject to the same rules as Members regarding the protection against the misuse of

⁵ See Exchange Rule 303, Interpretations and Policies .01.

⁶ See Exchange Rules 603 and 604.

material, non-public information, which in this case, is existing Rule 303.

The Exchange notes that even with this proposed rule change, pursuant to Rule 303, a Market Maker would still be obligated to ensure that its policies and procedures reflect the current state of its business and continue to be reasonably designed to achieve compliance with applicable federal securities law and regulations, and with applicable Exchange rules, including being reasonably designed to protect against the misuse of material, non-public information. While an Information Barrier would not specifically be required under the proposal, Rule 303 already requires that a Member consider its business model or business activities in structuring its policies and procedures, which may dictate that an information barrier or other type of functional separation be part of the set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities law and regulations, and with applicable Exchange rules.

The Exchange is not proposing to change what is considered to be material, non-public information, and thus does not expect there to be any changes to the types of information that an affiliated person of a Market Maker could share with such Market Maker. In that regard, the proposed rule change will not permit an Electronic Exchange Member to have access to any non-public order or quote information of the affiliated Market Maker, including hidden or undisplayed size or price information of such orders and quotes. Market Makers are not allowed to post hidden or undisplayed orders and quotes on the Exchange. Members do not expect to receive any additional order or quote information as a result of this proposed rule change.

Further, the Exchange does not believe that there will be any material change to existing Member Information Barriers as a result of removal of the Exchange's pre-approval requirements. In fact, the Exchange anticipates that eliminating the pre-approval requirement should facilitate implementation of changes to Member Information Barriers as necessary to

protect against the misuse of material, non-public information. The Exchange also suggests that the pre-approval requirement is unnecessary because Market Makers now do not have agency responsibilities to the book, or time and place information advantages because of their market role.⁷ Moreover, the policies and procedures of Market Makers, including those relating to Information Barriers, would be subject to review by FINRA, on behalf of the Exchange, pursuant to a Regulatory Services Agreement.

The Exchange further notes that under Rule 303, a Member would be able to structure its firm to provide for its options Market Makers, as applicable, to be structured with its equities and customer-facing businesses, provided that any such structuring would be done in a manner reasonably designed to protect against the misuse of material, non-public information. For example, pursuant to Rule 303 a Market Maker on the Exchange could be in the same independent trading unit, as defined in Rule 200(f) of Regulation SHO,⁸ as an equities market maker and other trading desks within the firm, including options trading desks, so that the firm could share post-trade information to better manage its risk across related securities. The Exchange believes it is appropriate, and consistent with Rule 303 and Section 15(g) of the Act⁹ for a firm to share options position and related hedging position information (e.g., equities, futures, and foreign currency) within a firm to better manage risk on a firm-wide basis. The Exchange notes, however, that if so structured, a firm would need to have policies and procedures, including Information Barriers as applicable, reasonably designed to protect against the misuse of material, non-public information, and specifically customer information, consistent

⁷ Member applicants are required to have information barrier policies and procedures in place and must represent that they comply with this requirement in their application for membership to MIAX.

⁸ 17 CFR Part 242.200(f).

⁹ 15 U.S.C. 78o(g).

with Rule 303.

The Exchange believes that the proposed reliance on the principles-based Rule 303 would ensure that a Member that operates a Market Maker would be required to protect against the misuse of any material, non-public information. As noted above, Rule 303 already requires that firms refrain from trading while in possession of material, non-public information concerning imminent transactions in the security or related product. The Exchange believes that moving to a principles-based approach rather than prescribing how and when to wall off a Market Maker from the rest of the firm would provide Members operating as Market Makers with appropriate tools to better manage risk across a firm, including integrating options positions with other positions of the firm or, as applicable, by the respective independent trading unit. Specifically, the Exchange believes that it is appropriate for risk management purposes for a Member operating a Market Maker to be able to consider both options Market Maker traded positions for purposes of calculating net positions consistent with Rule 200 of Regulation SHO, calculating intra-day net capital positions, and managing risk generally, and in compliance with Rule 15c3-5 under the Act (the "Market Access Rule").¹⁰ The Exchange notes that any risk management operations would need to operate consistent with the requirement to protect against the misuse of material, non-public information.

The Exchange further notes that if Market Makers are integrated with other market making operations, they would be subject to existing rules that prohibit Members from disadvantaging their customers or other market participants by improperly capitalizing on a member organization's access to the receipt of material, non-public information. As such, a member organization that integrates its market maker operations together with equity market making would need to protect customer information consistent with existing obligations to

¹⁰ 17 CFR Part 240.15c3-5.

protect such information. The Exchange has rules prohibiting Members from disadvantaging their customers or other market participants by improperly capitalizing on the Members' access to or receipt of material, nonpublic information. For example, Exchange Rule 1308 (Supervision of Accounts) requires Members to develop and maintain adequate controls over each of its business activities and to be responsible for internal supervision and control of the organization and compliance with securities laws and regulations.¹¹ Additionally, Rule 301 (Just and Equitable Principles of Trade) prevents a person associated with a Member, who has knowledge of all material terms and conditions of (i) an order and a solicited order, (ii) an order being facilitated, or (iii) orders being crossed; the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option for the same underlying security as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument unless certain circumstances are met.¹²

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁴ 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 Exchange believes that the proposed rule change would remove impediments to and

¹¹ See Exchange Rule 1308.

¹² See Exchange Rule 301, Interpretations and Policies .02.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

perfect the mechanism of a free and open market by adopting a principles-based approach to permit a Member operating a Market Maker to maintain and enforce policies and procedures to, among other things, prohibit the misuse of material, non-public information and eliminate restrictions on how a Member structures its market making operations. The Exchange notes that the proposed rule change is based on an approved rule of the Exchange to which Market Makers are already subject, Rule 303, thus Market Makers would continue to be subject to current Exchange rules and to the requirements under the Act¹⁵ for protecting material, non-public order information. The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market because it would harmonize the Exchange's approach to protecting against the misuse of material, non-public information and no longer subject Market Makers to additional requirements. The Exchange does not believe that the existing requirements applicable to Market Makers are narrowly tailored to their respective roles because neither market participant has access to Exchange trading information in a manner different from any other market participant on the Exchange and they do not have agency responsibilities to the order book.

The Exchange further believes the proposal is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because existing rules make clear to Market Makers and Members the type of conduct that is prohibited by the Exchange. While the proposal eliminates specific requirements relating to the misuse of material, non-public information requiring pre-approval by the Exchange, Market Makers and Members would remain subject to existing Exchange rules requiring them to establish and maintain systems to supervise their activities, and to create, implement, and maintain written

¹⁵ See, e.g., 15 U.S.C. 78o(g).

procedures that are reasonably designed to comply with applicable securities laws and Exchange rules, including the prohibition on the misuse of material, non-public information.

The Exchange notes that the proposed rule change would still require that Members operating Market Makers maintain and enforce policies and procedures reasonably designed to ensure compliance with applicable federal securities laws and regulations and with Exchange rules. Even though there would no longer be pre-approval of Market Maker Information Barriers, any Market Maker's written policies and procedures would continue to be subject to oversight by the Exchange and therefore the elimination of prescribed restrictions should not reduce the effectiveness of the Exchange rules to protect against the misuse of material, non-public information. Rather, Members will be able to utilize a flexible, principles-based approach to modify their policies and procedures as appropriate to reflect changes to their business model, business activities, or to the securities market itself. Moreover, while specified Information Barriers may no longer be required, a Member's business model or business activities may dictate that an Information Barrier or functional separation be part of the set of policies and procedures that would be reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules. The Exchange therefore believes that the proposed rule change will maintain the existing protection of investors and the public interest that is currently applicable to Market Makers, while at the same time removing impediments to and perfecting a free and open market by moving to a principles-based approach to protect against the misuse of material non-public information.

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. On the contrary, the Exchange believes that the proposal will enhance competition by allowing Market

Makers to comply with applicable Exchange rules in a manner best suited to their business models, business activities, and the securities markets, thus reducing regulatory burdens while still ensuring compliance with applicable securities laws and regulations and Exchange rules. The Exchange believes that the proposal will foster a fair and orderly marketplace without being overly burdensome upon Market Makers.

Moreover, the Exchange believes that the proposed rule change would eliminate a burden on competition for Members which currently exists as a result of disparate rule treatment between the options and equities markets regarding how to protect against the misuse of material, non-public information. For those Members that are also members of equity exchanges, their respective equity market maker operations are now subject to a principles-based approach to protecting against the misuse of material non-public information.¹⁶ The Exchange believes it would remove a burden on competition to enable Members to similarly apply a principles-based approach to protecting against the misuse of material, non-public information in the options space. To this end, the Exchange notes that Rule 303 still requires a Member that operates as a Market Maker on the Exchange to evaluate its business to assure that its policies and procedures are reasonably designed to protect against the misuse of material, non-public information. However, with this proposed rule change, a Member that trades equities and options could look

¹⁶ See Securities Exchange Act Release Nos. 60604 (Sept. 2, 2009), 76 FR 46272 (Sept. 8, 2009) (SR-NYSEArca-2009-78) (Order approving elimination of NYSE Arca rule that required market makers to establish and maintain specifically prescribed information barriers, including discussion of NYSE Arca and Nasdaq rules) (“Arca Approval Order”); 61574 (Feb. 23, 2010), 75 FR 9455 (Mar. 2, 2010) (SR-BATS-2010-003) (Order approving amendments to BATS Rule 5.5 to move to a principles-based approach to protecting against the misuse of material, non-public information, and noting that the proposed change is consistent with the approaches of NYSE Arca and Nasdaq) (“BATS Approval Order”); and 72534 (July 3, 2014), 79 FR 39440 (July 10, 2014), SR-NYSE-2014-12) (Order approving amendments to NYSE Rule 98 governing designated market makers to move to a principles-based approach to prohibit the misuse of material non-public information) (“NYSE Approval Order”).

at its firm more holistically to structure its operations in a manner that provides it with better tools to manage its risks across multiple security classes, while at the same time protecting against the misuse of material non-public information.

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 Act¹⁷ and Rule 19b-4(f)(6)¹⁸ 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.

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 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.

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-2015-63 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-2015-63. 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-MIAX-2015-63 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.¹⁹

Brent J. Fields
Secretary

¹⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;
Deleted text is in [brackets]

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC Rules

Rule 610. Reserved.[Limitations on Dealings

(a) No Member, other than a Market Maker acting pursuant to Rule 603, limited partner, officer, employee, approved person(s), who is affiliated with a Market Maker or Member, shall, during the period of such affiliation, purchase or sell any option in which such Market Maker is appointed for any account in which such person(s) has a direct or indirect interest. Any such person(s) may, however, reduce or liquidate an existing position in an option in which such Market Maker is appointed provided that such orders are (i) identified as being for an account in which such person(s) has a direct or indirect interest; (ii) approved for execution by an Exchange Official; and (iii) executed by the Market Maker in a manner reasonably calculated to contribute to the maintenance of price continuity with reasonable depth. No order entered pursuant to this Subsection (a) shall be given priority over, or parity with, any order represented in the market at the same price.

(b) Notwithstanding the provisions of Rule 603, an approved person or Member that is affiliated with a Market Maker shall not be subject to Rule 610(a), provided it has obtained Exchange approval of procedures restricting the flow of material non-public corporate or market information between itself and the Market Maker and any Member, officer, or employee associated therewith.

(c) For such Member that controls, is controlled by, or is under common control with another organization, the exemption provided in Subsection (b) of Rule 610 shall be available to it only where the Exchange has determined that the relationship between the Market Maker, each person associated therewith, and such other organization satisfies all the conditions specified in the Exemption Guidelines.

(d) The procedures referred to in Subsection (b) of Rule 610 shall comply with such guidelines as are promulgated by the Exchange.

Exemption Guidelines

(e) The following restrictions apply to a Member that is affiliated with a Market Maker:

It may not purchase or sell for any account in which it has a direct or indirect interest in any security in which its affiliate is a Market Maker.

It may not engage in any business transaction with the issuer of a security or its insiders in which its affiliate is a Market Maker.

The Member may not accept orders directly from the issuer, its insiders or certain designated parties in securities in which its affiliate is a Market Maker.

This Subsection provides a means by which an affiliated firm doing business with the public as defined in Rule 203 (hereafter "Member") may obtain an exemption from the restrictions discussed above. This exemption is only available to a Member that obtains prior Exchange approval for procedures restricting

the flow of material non-public information between it and its affiliated Market Maker, (i.e., so-called "Chinese Wall" procedures). This Subsection sets forth the steps a Member must undertake, at a minimum, to seek to qualify for exemptive relief. Any firm that does not obtain Exchange approval for its procedures in accordance with these Guidelines shall remain subject to the restrictions set forth above.

(f) These Guidelines require that an affiliated Member establish procedures that are sufficient to restrict the flow of information between itself and the Market Maker. Generally, an affiliated Member seeking an exemption from the rules discussed in Subsection (a) above should establish its operational structure along the lines discussed below.

(1) The affiliated Member and the Market Maker must be established as separate and distinct organizations. At a minimum, the two organizations must maintain separate and distinct books, records and accounts, and satisfy separately all applicable financial and capital requirements. While the Exchange will permit the affiliated Member and the Market Maker to be under common management, in no instance may persons associated with a Member exercise influence over or control the Market Maker's conduct with respect to particular securities or vice versa. Any general managerial oversight must not conflict with or compromise in any way the Market Maker's market making responsibilities pursuant to the Rules of the Exchange.

(2) The affiliated Member and the Market Maker must establish procedures designed to prevent the use of material non-public corporate or market information in the possession of the affiliated Member to influence the Market Maker's conduct and avoid the misuse of Market Maker market information to influence the affiliated Member conduct. Specifically, the affiliated Member and the Market Maker organization must ensure that material non-public corporate information relating to trading positions taken by the affiliated Member in a Market Maker's security are not made available to the Market Maker, or to any Member, partner, director or employee thereof, by a Market Maker while in possession of non-public corporate information derived by the affiliated Member from any transaction or relationship with the issuer or any other person in possession of such information; that advantage is not taken of knowledge of pending transactions or the Member's recommendations; and that all information pertaining to positions taken or to be taken by the Market Maker in a Market Maker security is kept confidential and is not made available to the affiliated Member.

(g) An affiliated Member seeking exemption shall submit to the Exchange a written statement that shall set forth the following:

(1) The manner in which it intends to satisfy each of the conditions stated in Subsections (f)(1) and (f)(2) of these Guidelines, and the compliance and audit procedures it proposes to implement to ensure that the functional separation is maintained;

(2) The designation and identification of the individual(s) within the affiliated Member responsible for maintenance and surveillance of such procedures;

(3) That the Market Maker may make available to a broker affiliated with it only the sort of market information that it would make available in the normal course of its Market Maker activity to any other broker and in the same manner that it would make information available to any other broker; and that the Market Maker may only make such information available to a broker affiliated with the Member pursuant to a request by such broker for such information and may not, on its own initiative, provide such broker with such information;

(4) That where it issues a recommendation in a security in which it acts as Market Maker it must disclose that an associated Market Maker makes a market in the security, may have a position in the

security, and may be on the opposite side of public orders executed on the Exchange in the security, and the firm will notify the Exchange immediately after the issuance of a research report or written recommendation;

(5) That it will file with the Exchange such information and reports as the Exchange may, from time to time, require relating to its transactions in a specialty security;

(6) That it will take appropriate remedial action against any person violating these Guidelines and/or its internal compliance and audit procedures adopted pursuant to Subsection (g)(1) of these Guidelines, and that it and its associated Market Maker each recognizes that the Exchange may take appropriate remedial action, including (without limitation) reallocation of securities in which it serves as Market Maker and/or revocation of the exemption, in the event of such a violation;

(7) Whether the firm intends to clear proprietary trades of the Market Maker and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the firm's Chinese Wall procedures (the procedures followed shall, at a minimum, be the same as those used by the firm to clear for unaffiliated third parties); and

(8) That no individual associated with it may trade as a market maker in any security in which the associated Market Maker has an appointment.

(h) Subsection (f) of these Exemption Guidelines requires the establishment of procedures designed to prohibit the flow of certain market sensitive information from a Member to its affiliate Market Maker or to any Member, partner, director or employee thereof. In the event that, notwithstanding these procedures, any Market Maker becomes aware of the fact that he has received any such information relating to any of their Market Maker securities from his organization's affiliated Member, the Market Maker shall promptly communicate that fact and disclose the information so received to the person in the affiliated member firm responsible for compliance with securities laws and regulations (the compliance officer) and shall seek a determination from the compliance officer as to whether he should, as a consequence of his receipt of such information, give up the appointment in the option class involved. If the compliance officer determines that the Market Maker should give up the Market Maker appointment, the Market Maker shall, at a minimum, give it up to another Member who is registered as Market Maker in the security and who is not in possession of the information so received. In any such event, the compliance officer shall determine when it is appropriate for the Market Maker to recover the Market Maker security and recommence acting as Market Maker in the Market Maker security involved. Procedures shall be established by the affiliated member firm to assure that in any instance when the compliance officer determines that a Market Maker should give up the appointment, such transfer is effected in a manner which will prevent the market sensitive information from being disclosed to the temporary Market Maker.

The compliance officer shall keep a written record of each request received from a Market Maker for a determination as referred to above. Such record shall be adequate to record the pertinent facts and shall include, at a minimum, the identification of the security, the date, a description of the information received by the Market Maker, the determination made by the compliance officer and the basis therefor. If the appointment is given up, the record shall also set forth the time at which the Market Maker reacquired the appointment and the basis upon which the compliance officer determined that such reacquisition was appropriate. The Exchange shall be given prompt notice of any instance when the compliance officer determines that the Market Maker should give up the appointment and also of the determination that such Market Maker should be permitted to reacquire the appointment. In accordance with such schedules as the Exchange shall from time to time prescribe (at least monthly), the written record of all requests received by the compliance officer from the affiliated Market Maker for a determination as referred to above shall be furnished to the Exchange for its review. Members are cautioned that any trading by any person while

in possession of material, non-public information received as a result of any breach of the internal controls required by the Guidelines may have violated Rule 10b-5, Rule 14e-3, just and equitable principles of trade or one or more other provisions of the Exchange Act, or regulations thereunder or rules of the Exchange. The Exchange shall review any such trading of which it becomes aware to determine whether any such violation has occurred.

(i) Subsection (g)(7) of these Guidelines permits a Member to clear the Market Maker transactions of its affiliated Market Maker provided it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the firm's Chinese Wall procedures. Such procedures should provide that any information pertaining to security positions and trading activities of the Market Maker, and information derived from any clearing and margin financing arrangements between the affiliated Member and the Market Maker, may be made available only to those (other than employees actually performing clearing and margin financing functions) in senior management positions in the affiliated Member who are involved in exercising general managerial oversight over the Market Maker. Generally, such information may be made available only to the affiliated Member's chief executive officer, chief operations officer, chief financial officer, and senior officer responsible for managerial oversight of the Market Maker, and only for the purpose of exercising permitted managerial oversight. Such information may not be made available to anyone actually engaged in making day-to-day trading decisions for the affiliated member firm, or in making recommendations to the customers or potential customers of the affiliated member firm. Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under Exchange Rules.

(j) The written statement required by Subsection (g) of these Exemption Guidelines shall detail the internal controls that both the affiliated Member and the Market Maker intend to adopt to satisfy each of the conditions stated in Subsections (g)(1) through (g)(8) of these Guidelines, and the compliance and the audit procedures they propose to implement to ensure that the internal controls are maintained. If the Exchange determines that the organizational structure and the compliance and audit procedures proposed by the Member and its affiliated Market Maker are acceptable under the Guidelines, the Exchange shall so inform the Member and its affiliated Market Maker, in writing, at which point an exemption shall be granted. Absent such prior written approval, an exemption shall not be made available. The written statement should identify the individuals in senior management positions (and their titles/levels of responsibility) of the affiliated Member to whom information concerning the Market Making trading activities and security positions, and information concerning clearing and margin financing arrangements, is to be made available, the purpose for which it is to be made available, the frequency with which the information is to be made available, and the format in which the information is to be made available. If any partner, director, officer, or employee of the affiliated Member intends to serve in any such capacity with the Market Maker, or vice versa, the written statement must include a statement of the duties of the particular individual, at both entities, and why it is necessary for such individual to be a partner, director, officer or employee of both entities. The Exchange may grant approval for service at both entities only if the dual affiliation is for overall management control purposes or for administrative and support purposes. Dual affiliation will not be permitted for an individual who intends to be active in the day-to-day business operations of both entities. Nothing in the foregoing, however, shall preclude an employee of one entity who performs strictly administrative or support functions (such as facilities, accounting, data processing, personnel and similar types of services) from performing similar functions on behalf of the other entity, provided that such individual is clearly identified, and the functions performed on behalf of each entity are specified, in the written statement described above, and all requirements in Subsection (f) above as to maintaining the confidentiality of information are met.]
