

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="36"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="08"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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"/>
			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 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Proposal to Amend Exchange Rule 519C, Mass Cancellation of Trading Interest

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 * <input type="text" value="Gregory"/>	Last Name * <input type="text" value="Ziegler"/>
Title * <input type="text" value="Associate Counsel"/>	
E-mail * <input type="text" value="gziegler@miaoptions.com"/>	
Telephone * <input type="text" value="(609) 897-1483"/>	Fax <input type="text"/>

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 <input type="text" value="02/23/2017"/>	SVP, Associate General Counsel
By <input type="text" value="Joseph Ferraro"/>	<input type="text"/>
(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.

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

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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 amend Exchange Rule 519C.

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Board of Directors on December 8, 2016.

Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other 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 Gregory P. Ziegler, Associate Counsel, at (609) 897-1483.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Rule 519C, Mass Cancellation of Trading Interest, to adopt new section (c) entitled “Detection of Loss of Communication,” to codify the use of current functionality in the Exchange’s System³ which is designed to assist market participants in the event of a loss of communication with either their assigned MIAX Express Interface (“MEI”)⁴ or Financial Information eXchange (“FIX”)⁵ port due to a loss of connectivity. This functionality is designed to protect Market Makers⁶ and other market participants from inadvertent exposure to excessive risk. Additionally, the Exchange proposes to adopt new Interpretations and Policies .01 and .02 as discussed below.

Exchange Members⁷ enter quotes⁸ and orders⁹ utilizing either an MEI port or a FIX port respectively. MEI is utilized by Market Makers of the Exchange and FIX is utilized by

³ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁴ MEI is a connection to MIAX systems that enables Market Makers to submit electronic quotes to the Exchange.

⁵ FIX connections to the Exchange permit the entry of orders.

⁶ The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and Registered Market Makers” collectively. See Exchange Rule 100.

⁷ The term “Member” means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

⁸ The term “quote” or “quotation” means a bid or offer entered by a Market Maker that is firm and may update the Market Maker’s previous quote, if any. The Rules of the Exchange provide for the use of different type of quotes, including Standard quotes and eQuotes, as more fully described in Rule 517. See Exchange Rule 100.

⁹ The term “order” means a firm commitment to buy or sell option contracts. See Exchange Rule 100.

Electronic Exchange Members (“EEMs”).¹⁰ These ports provide the mechanism by which Members maintain a connection to the Exchange and through which a Member communicates its quotes and/or orders to the System. Market Makers may submit quotes to the Exchange from one or more MEI ports. Similarly, Members may submit orders to the Exchange from one or more FIX ports. When the System detects a loss of communication with a Member, the System has the capability to remove the Member’s quotes and/or orders, if so elected and configured by the Member. The Exchange notes that this functionality is mandatory for Market Makers using MEI and optional for EEMs using FIX as discussed in more detail below.

MEI Connections

Market Makers connect to their assigned MEI port using the MIAX Session Management Protocol (“SesM”). The SesM protocol uses heartbeat¹¹ packets to detect link failures between the Member and the Exchange. The SesM protocol requires that the Exchange must send a heartbeat packet anytime more than one (1) second has passed since the Exchange last sent any data. Further, the SesM protocol requires that the Member must send a heartbeat packet anytime more than one (1) second has passed since the Member last sent any data. If a certain number of consecutive heartbeats are missed,¹² or if the Member fails to send data or heartbeats within “xx” period of time (“Heartbeat Interval”), the System will automatically close the connection and

¹⁰ The term “Electronic Exchange Member” means the holder of a Trading Permit who is not a Market Maker. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

¹¹ A heartbeat is a message that is generated at regular intervals to indicate that two way communication has been established. A loss of heartbeats or the lack of a response to a heartbeat request indicates a loss of communication.

¹² The Exchange notes that the current System setting is three (3) heartbeats and that any change to this setting will be determined by the Exchange and communicated to Members via a Regulatory Circular.

listen for the Member to establish a new connection. The default Heartbeat Interval setting is determined by the Exchange and configured directly into the System.¹³ Any change to this setting will be communicated to Members accordingly.

The Exchange offers Market Makers two different types of MEI port connections. A Full Service Port¹⁴ which supports all message types and a Limited Service Port which provides slightly less functionality.¹⁵ The Exchange limits Members to two (2) Full Service Ports and allows up to eight (8) Limited Service Ports per MIAX matching engine.¹⁶ Both Full Service and Limited Service Ports can have “Cancel on Disconnect” enabled. By default, Cancel on Disconnect functionality will be triggered upon establishing a loss of communication to the Market Maker’s last MEI Full Service Port connection to a matching engine. When Cancel on Disconnect is triggered, the System will close the session and remove a Market Maker’s quotes and eQuotes from the Exchange, for the impacted matching engine only.

Market Makers have the ability to group MEI ports together by port and/or Market Participant ID (“MPID”) for the purpose of establishing groups of connections to tailor Cancel on Disconnect functionality to the Member’s business needs. Cancel on Disconnect may be enabled for any Port, however by selectively grouping ports and/or MPIDs, a Member can

¹³ The Exchange notes the current setting is three (3) seconds.

¹⁴ Full Service MEI Ports provide Market Makers with the ability to send Market Maker quotes, eQuotes, and quote purge messages to the MIAX System. Full Service MEI Ports are also capable of receiving administrative information. Market Makers are limited to two Full Service MEI Ports per matching engine.

¹⁵ Limited Service MEI Ports provide Market Makers with the ability to send eQuotes and quote purge messages only, but not Market Maker Quotes, to the System. Limited Service MEI Ports are also capable of receiving administrative information.

¹⁶ A “matching engine” is a part of the MIAX electronic system that processes options quotes and trades on a symbol-by-symbol basis. The Exchange currently hosts 24 separate matching engines.

customize the loss of communication scenario which would result in Cancel on Disconnect functionality ultimately being invoked.

Examples for illustration purposes are provided below.

Example 1: Default Behavior

Group 1: MEI Full Service Ports: MEI Port 1 & MEI Port 2

Scenario 1: MEI Port 1 disconnects, (MEI Port 2 connected) no quotes removed.

Scenario 2: MEI Port 2 disconnects, (MEI Port 1 connected) no quotes removed.

Scenario 3: MEI Port 1 disconnects, MEI Port 2 disconnects, Cancel on Disconnect triggered

Scenario 4: MEI Port 2 disconnects, MEI Port 1 disconnects, Cancel on Disconnect triggered

Example 2: A Member requiring a configuration which separates their eQuotes, Mass-Quote-Cancel or Notifications to a separate port.

Group 1: MEI Full Service Ports: MEI Port 1 & MEI Port 2

Group 2: MEI Limited Service Port: MEI Port 3

Group 1 is configured for Cancel on Disconnect; Group 2 is not.

Assuming that the Firm is connected on all ports:

Scenario 1: MEI Port 1 disconnects, no quotes removed.

Scenario 2: MEI Port 1 and Port 2 disconnect, Cancel on Disconnect triggered, quotes removed.

Scenario 3: MEI Port 3 disconnects, no quotes removed.

Scenario 4: MEI Port 1 and Port 3 disconnect, no quotes removed.

Example 3: A Member requiring a configuration to divide the ports to separate computers or traders.

Group 1: MEI Full Service Port: MEI Port 1; MEI Limited Service Port: MEI Port 2

Group 2: MEI Full Service Port: MEI Port 3; MEI Limited Service Port: MEI Port 4

Group 1 MPIDs: MPID_1, MPID_2, MPID_3

Group 2 MPIDs: MPID_3, MPID_4, MPID_5

Both groups are configured for Cancel on Disconnect, and MPID_3 is in both groups.

Assuming the Member is connected on all ports:

Scenario 1: MEI Port 1 disconnects, no quotes removed.

Scenario 2: MEI Port 1 and Port 2 disconnect, Cancel on Disconnect triggered for MPID_1, MPID_2, and MPID_3.

Scenario 3: MEI Port 3 disconnects, no quotes removed.

Scenario 4: MEI Port 1 and MEI Port 3 disconnect, Cancel on Disconnect triggered for all MPIDs.

FIX Connections

EEMs connect to their assigned FIX port using the MIAX FIX Order Interface (“FOI”) which is a flexible interface that uses the FIX protocol for both application and session level messages. As per the FIX protocol, a connection is established by the Member submitting a logon message to the Exchange. This logon message establishes the heartbeat interval that will be used by the session. This value must be greater than zero seconds and the same value must be used by both the Member and the Exchange.

Within the logon message a Member can enable “Auto Cancel on Disconnect” for all orders sent through a session by setting a flag in the logon message. This would result in all

eligible orders¹⁷ submitted through the FIX connection to be canceled upon a loss of communication. Alternatively, a Member can identify individual orders on a per order basis that are to be considered for Auto Cancel on Disconnect treatment.

Upon missing a single heartbeat, FOI will send a *Test Request* message¹⁸ to the Member to check the status of the connection. Upon missing a certain number of heartbeats,¹⁹ FOI will send a logout message and terminate the connection. When FOI detects a disconnection for any reason it will trigger the Auto Cancel on Disconnect process, whereby, if enabled, FOI will cancel all eligible orders. If Auto Cancel on Disconnect is not enabled for the session or for any orders, FOI will simply disconnect the FIX session and not cancel any orders. Once disconnected, a FIX user would have to commence a new session to add, modify, or cancel its orders. After a disconnect FOI will not accept connections from the Member for a pre-configured period of time.²⁰ This allows the Exchange to cancel orders without the Member being able to reconnect and attempt to interact with an order in the process of being canceled. Any change to this setting will be announced to Members accordingly.

¹⁷ Good 'Til Cancelled ("GTC") orders are not eligible for Auto Cancel on Disconnect. A GTC order is an order to buy or sell which remains in effect until it is either executed, cancelled or the underlying option expires. See Exchange Rule 516. PRIME orders are not eligible for Auto Cancel on Disconnect. See Exchange Rule 515A.

¹⁸ The test request message is a FIX Protocol message that forces a heartbeat from the opposing application. The test request message checks sequence numbers or verifies communication line status. The opposite application responds to the Test Request with a Heartbeat containing the Test Request ID. Financial Information Exchange Protocol (FIX), Version 4.2 with errata. May 1, 2001.

¹⁹ The Exchange notes that the current System setting is two (2) heartbeats, and that any change to this setting will be determined by the Exchange and communicated to Members via Regulatory Circular.

²⁰ The Exchange notes the current setting is five (5) seconds.

The Auto Cancel on Disconnect functionality is designed to react to external connection loss scenarios only. Therefore, it does not cancel orders in the event of a MIAX system failure. The execution reports resulting from cancels or trades during the period a Member is disconnected can be received upon a subsequent reconnection by the Member on the same trading day.

The Exchange also proposes to adopt new Interpretations and Policies .01 to enumerate order types that are not eligible for removal by the Auto Cancel on Disconnect functionality. Proposed Interpretation and Policies .01 will state that Good 'Til Cancelled (“GTC”)²¹ orders and PRIME orders are not eligible for automatic cancellation. PRIME is the Exchange’s Price Improvement Mechanism²² and PRIME orders are stopped orders which are used to start an auction process whereby the execution price the order receives may be improved as a result of the auction. A PRIME auction has a maximum duration of 500 milliseconds. PRIME orders are not resting orders and are used solely to facilitate the PRIME auction process.

Further, the Exchange proposes to adopt new Interpretations and Policies .02 (i) to define what a “Heartbeat” message is and how it used by the Exchange, and (ii) to define the requirements for establishing a “Loss of Communication” on the Exchange.

The functionality discussed above is designed to mitigate potential risks associated with a loss of communication to the Exchange. In today’s market, Market Makers’ quotes are rapidly changing and can have a lifespan of only milliseconds. Therefore, if a Member is disconnected for any period of time, and its quotes remained in the System, it is very possible that the quotes would be stale by the time the Member was able to reestablish connectivity. Consequently, any

²¹ See Exchange Rule 516.

²² See Exchange Rule 515A.

resulting execution of such quotes is more likely to be erroneous or unintended. Conversely, the Exchange notes that orders tend to be static in nature and often rest on the Book. Certain orders, such as GTC orders are intended to rest on the Book for an extended period of time. As such, there is a lower risk of erroneous or unintended executions resulting from orders that remained in the System after a Member experienced a loss of communication.

The Exchange believes that while information relating to connectivity and loss of communication is already available to Members via technical specifications, codifying this information in the rule text will provide additional transparency and further reduce the potential for confusion.

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act²³ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁴ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposed rule will remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors and the public interest by providing Market Makers with a mechanism by which quotes may be removed in the event of a loss of connectivity with the System.

²³ 15 U.S.C. 78f(b).

²⁴ 15 U.S.C. 78f(b)(5).

Market Makers provide liquidity to the market place and have obligations unlike other Members.²⁵

This risk protection feature is important because it will enable Market Makers to avoid risks associated with inadvertent executions in the event of a loss of communication with the Exchange. The proposed rule change is not unfairly discriminatory among market participants, as it is available equally to all market participants utilizing MEI. The obligation of Market Makers on the Exchange to provide continuous two-sided quotes in their assigned series on a daily basis²⁶ is not diminished by the removal of such quotes triggered by the disconnect. The Exchange will not be prohibited from taking disciplinary action against a Market Maker for failing to meet its continuous quoting obligation each trading day as a result of disconnections.

The disconnect feature of FIX connections is mandatory, however Members have the option to enable the cancellation of all orders for an entire session or select orders for cancellation on an order-by-order basis, which would result in the cancellation of orders submitted over a FIX port when such port disconnects. It is appropriate to offer two different removal features to all Members utilizing FIX, as these Members may desire that their orders remain on the order book despite a technical disconnection, so as not to miss any opportunities for execution of such orders while the FIX session is disconnected. Offering to cancel all orders, specifically selected orders, or no orders, upon disconnect allows the Member to customize the functionality to align to its business needs. Offering this type of order cancellation functionality to Members is consistent with the Act because it enables Members to avoid risks associated with inadvertent executions in the event of a loss of communication with the Exchange. The order

²⁵ See Exchange Rule 603.

²⁶ See Exchange Rule 604.

cancellation functionality is designed to mitigate the risk of missed and/or unintended executions associated with a loss in communication with the Exchange. The proposed rule change is not unfairly discriminatory among market participants, as it is available equally to all market participants utilizing FIX.

The disconnect feature is mandatory under the FIX protocol. The Exchange will disconnect Members from the Exchange and not cancel orders if the Auto Cancel on Disconnect functionality is not enabled. This feature is consistent with the Act because it provides FIX users the ability to disconnect from the Exchange and assess the current market conditions to make a determination concerning their risk exposure. The Exchange notes that in the event Auto Cancel on Disconnect functionality is not enabled and such orders need to be cancelled after a disconnection occurs, an Exchange participant can contact Exchange staff to have its orders cancelled from the System.²⁷ The Exchange believes requiring a disconnect when a loss of communication is detected to be a rational course of action for the Exchange to alert the Member of the technical connectivity issue.

The Exchange believes that the proposed rule change will assist with the maintenance of a fair and orderly market by codifying risk protections for orders and quotes. The Exchange's proposal is consistent with the Act because it will mitigate the risk of potential erroneous or unintended executions associated with a loss in communication which protects investors and the public interest. Additionally, the proposed rule adds another risk protection tool for Members and protects investors and the public interest by increasing the risk protection tools available to Members of the Exchange. The Exchange believes codifying existing functionality by rule will remove impediments to and perfect the mechanisms of a free and open market by adding

²⁷ See Exchange Rule 519C.

precision and ease of reference to the Exchange's Rules, thus promoting transparency and clarity for Members.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will not impose any burden on intra-market competition because every Member of the Exchange has the opportunity to benefit from the functionality described in the proposed rule.

The Exchange provides two separate and distinct mechanisms for communicating with the Exchange, MEI and FIX. MEI Ports support the submission of quotes to the Exchange and are used by Market Makers who have heightened quoting obligations because of their role.²⁸ Market Makers are provided the ability to configure their MEI Ports to leverage the functionality provided by the Exchange to remove quotes to align to their risk tolerance. Because of the volume of series that a Market Maker is obligated quote, the Exchange believes that removing all quotes for an affected matching engine on behalf of a Market Maker who has lost its last MEI connection to that engine to be in the best interest of both the Market Maker, to mitigate risk; and the Exchange, to ensure a fair and orderly market.

FIX connections to the Exchange only support order submission. FIX users may set a timeframe for disconnection that is appropriate for their risk tolerance. Offering functionality to cancel all, some, or none, of the orders in the System upon establishing a loss of communication does not create an undue burden on intra-market competition as Members do not equally bear the same risks of potential erroneous or unintended executions. Further, FIX users have greater

²⁸ See Exchange Rule 603.

control over their orders and may designate a number of different Time in Force instructions which can be used to determine the duration an order rests on the Book, from Immediate-or-Cancel, which is executed in whole or part upon receipt, with any unexecuted portion being cancelled; to a Good 'Til Cancelled order, which may rest on the Book until it is executed, cancelled by the user, or until the underlying option expires.²⁹

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that other option exchanges offer similar functionality.³⁰ For all the reasons stated, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A) of the Act³¹ and Rule 19b-4(f)(6)³² 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

²⁹ See Exchange Rule 516.

³⁰ See BOX Rule 8140; CBOE Rule 6.23C; NASDAQ BX Chapter VI, Section 6; and NASDAQ Phlx Rule 1019.

³¹ 15 U.S.C. 78s(b)(3)(A).

³² 17 CFR 240.19b-4(f)(6).

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 proposed rule change does not raise any novel or unique substantive issues, and the Exchange notes that similar rules are currently operative on others exchanges.³³ The proposal is non-controversial because it provides protections for Members in the event the Member losses communication with the Exchange. Accordingly, the Exchange believes that the proposed rule change is eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

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 Act³⁴ normally does not become operative for 30 days after the date of its filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

³³ See supra note 30.

³⁴ 17 CFR 240.19b-4(f)(6).

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

The proposed rule change is substantially similar to BOX Options Exchange, LLC (“BOX”), Chicago Board Options Exchange, Incorporated (“CBOE”), NASDAQ BX, Inc. (“BX”), and NASDAQ PHLX, LLC (“Phlx”) Rules.³⁵ BOX offers its market makers a similar feature for removal of quotes when its market participants lose communication. BOX automatically cancels a market maker’s quotes for all appointed classes when BOX loses communication with a market maker’s trading host for a specified period of time. However, BOX does not offer the cancellation of orders upon a loss of communication.³⁶ BOX Rule 8140 also provides that the Exchange shall determine the appropriate period of no technical connectivity required to trigger the BOX Quote Removal Mechanism Upon Technical Disconnect. The BOX Rule provides that this period will not be less than one (1) second or exceed nine (9) seconds, and that notification of any change will be communicated via Regulatory Circular.³⁷ This is substantially similar to the proposed rule change which provides that the time period will be between one (1) and ten (10) seconds and that the Exchange will notify Members of any change to this setting via Regulatory Circular.

CBOE offers its participants a similar mechanism (the “Technical Disconnect Mechanism”) to cancel both quotes and orders and allows participants to designate a heartbeat interval time and heartbeat interval response time. Upon determining a loss of communication, the Technical Disconnect Mechanism will automatically log off the market participants’ affected

³⁵ See supra note 30.

³⁶ See Securities Exchange Act Release No. 78312 (July 13, 2016), 81 FR 46990 (July 19, 2016) (SR-BOX-2016-30).

³⁷ See BOX Rule 8140, Quote Removal Mechanism Upon Technical Disconnect.

application and cancel all the market participants' quotes and open orders with a time-in-force of "day" resting on the book. The Technical Disconnect Mechanism is enabled for all market participants and may not be disabled, except that the automatic cancellation of orders is optional.³⁸ The instant proposal provides Exchange Members a number of configuration options which affords greater flexibility in tailoring risk protection settings to the appropriate level for each Member, while preserving the integrity of the market through a mandatory default configuration.

Both NASDAQ BX and Phlx Rules provide for the cancellation of quotes on one interface and the cancellation of orders on another. The Exchange's proposal to offer market participants the ability to cancel orders on a voluntary basis is similar to CBOE's and NASDAQ's BX and Phlx Rules.³⁹ The rules offer market participants, on a voluntary basis, the ability to cancel orders entered through FIX when a technical disconnect occurs, similar to the instant proposal. The CBOE rule permits the market participant to determine the timeframe for which an application server does not receive an appropriate response to a heartbeat request, but requires that it shall not be less than 5 seconds. NASDAQ's BX and Phlx default timeframe for FIX is 30 seconds with the ability to modify that timeframe to between 1 second and 30 seconds.

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

Not applicable.

³⁸ CBOE Rule 6.23C.

³⁹ See Securities Exchange Act Release Nos. 78298 (July 12, 2016), 81 FR 46739 (July 18, 2016) (SR-BX-2016-040); and 78192 (June 29, 2016), 81 FR 44079 (July 6, 2016) (SR-Phlx-2016-72).

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

Not applicable.

11. Exhibits

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

5. Text of proposed rule change.

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2017-08)

February __, 2017

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Amend MIAX Options Rule 519C, Mass Cancellation of Trading Interest

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 February 23, 2017, Miami International Securities Exchange, LLC (“MIAX Options” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend Exchange Rule 519C.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings>, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 519C, Mass Cancellation of Trading Interest, to adopt new section (c) entitled “Detection of Loss of Communication,” to codify the use of current functionality in the Exchange’s System³ which is designed to assist market participants in the event of a loss of communication with either their assigned MIAX Express Interface (“MEI”)⁴ or Financial Information eXchange (“FIX”)⁵ port due to a loss of connectivity. This functionality is designed to protect Market Makers⁶ and other market participants from inadvertent exposure to excessive risk. Additionally, the Exchange proposes to adopt new Interpretations and Policies .01 and .02 as discussed below.

Exchange Members⁷ enter quotes⁸ and orders⁹ utilizing either an MEI port or a FIX port respectively. MEI is utilized by Market Makers of the Exchange and FIX is utilized by

³ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁴ MEI is a connection to MIAX systems that enables Market Makers to submit electronic quotes to the Exchange.

⁵ FIX connections to the Exchange permit the entry of orders.

⁶ The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and Registered Market Makers” collectively. See Exchange Rule 100.

⁷ The term “Member” means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

⁸ The term “quote” or “quotation” means a bid or offer entered by a Market Maker that is firm and may update the Market Maker’s previous quote, if any. The Rules of the Exchange provide for the use of different type of quotes, including Standard quotes and eQuotes, as more fully described in Rule 517. See Exchange Rule 100.

Electronic Exchange Members (“EEMs”).¹⁰ These ports provide the mechanism by which Members maintain a connection to the Exchange and through which a Member communicates its quotes and/or orders to the System. Market Makers may submit quotes to the Exchange from one or more MEI ports. Similarly, Members may submit orders to the Exchange from one or more FIX ports. When the System detects a loss of communication with a Member, the System has the capability to remove the Member’s quotes and/or orders, if so elected and configured by the Member. The Exchange notes that this functionality is mandatory for Market Makers using MEI and optional for EEMs using FIX as discussed in more detail below.

MEI Connections

Market Makers connect to their assigned MEI port using the MIAX Session Management Protocol (“SesM”). The SesM protocol uses heartbeat¹¹ packets to detect link failures between the Member and the Exchange. The SesM protocol requires that the Exchange must send a heartbeat packet anytime more than one (1) second has passed since the Exchange last sent any data. Further, the SesM protocol requires that the Member must send a heartbeat packet anytime more than one (1) second has passed since the Member last sent any data. If a certain number of consecutive heartbeats are missed,¹² or if the Member fails to send data or heartbeats within “xx” period of time (“Heartbeat Interval”), the System will automatically close the connection and

⁹ The term “order” means a firm commitment to buy or sell option contracts. See Exchange Rule 100.

¹⁰ The term “Electronic Exchange Member” means the holder of a Trading Permit who is not a Market Maker. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

¹¹ A heartbeat is a message that is generated at regular intervals to indicate that two way communication has been established. A loss of heartbeats or the lack of a response to a heartbeat request indicates a loss of communication.

¹² The Exchange notes that the current System setting is three (3) heartbeats and that any change to this setting will be determined by the Exchange and communicated to Members via a Regulatory Circular.

listen for the Member to establish a new connection. The default Heartbeat Interval setting is determined by the Exchange and configured directly into the System.¹³ Any change to this setting will be communicated to Members accordingly.

The Exchange offers Market Makers two different types of MEI port connections. A Full Service Port¹⁴ which supports all message types and a Limited Service Port which provides slightly less functionality.¹⁵ The Exchange limits Members to two (2) Full Service Ports and allows up to eight (8) Limited Service Ports per MIAX matching engine.¹⁶ Both Full Service and Limited Service Ports can have “Cancel on Disconnect” enabled. By default, Cancel on Disconnect functionality will be triggered upon establishing a loss of communication to the Market Maker’s last MEI Full Service Port connection to a matching engine. When Cancel on Disconnect is triggered, the System will close the session and remove a Market Maker’s quotes and eQuotes from the Exchange, for the impacted matching engine only.

Market Makers have the ability to group MEI ports together by port and/or Market Participant ID (“MPID”) for the purpose of establishing groups of connections to tailor Cancel on Disconnect functionality to the Member’s business needs. Cancel on Disconnect may be enabled for any Port, however by selectively grouping ports and/or MPIDs, a Member can

¹³ The Exchange notes the current setting is three (3) seconds.

¹⁴ Full Service MEI Ports provide Market Makers with the ability to send Market Maker quotes, eQuotes, and quote purge messages to the MIAX System. Full Service MEI Ports are also capable of receiving administrative information. Market Makers are limited to two Full Service MEI Ports per matching engine.

¹⁵ Limited Service MEI Ports provide Market Makers with the ability to send eQuotes and quote purge messages only, but not Market Maker Quotes, to the System. Limited Service MEI Ports are also capable of receiving administrative information.

¹⁶ A “matching engine” is a part of the MIAX electronic system that processes options quotes and trades on a symbol-by-symbol basis. The Exchange currently hosts 24 separate matching engines.

customize the loss of communication scenario which would result in Cancel on Disconnect functionality ultimately being invoked.

Examples for illustration purposes are provided below.

Example 1: Default Behavior

Group 1: MEI Full Service Ports: MEI Port 1 & MEI Port 2

Scenario 1: MEI Port 1 disconnects, (MEI Port 2 connected) no quotes removed.

Scenario 2: MEI Port 2 disconnects, (MEI Port 1 connected) no quotes removed.

Scenario 3: MEI Port 1 disconnects, MEI Port 2 disconnects, Cancel on Disconnect triggered

Scenario 4: MEI Port 2 disconnects, MEI Port 1 disconnects, Cancel on Disconnect triggered

Example 2: A Member requiring a configuration which separates their eQuotes, Mass-Quote-Cancel or Notifications to a separate port.

Group 1: MEI Full Service Ports: MEI Port 1 & MEI Port 2

Group 2: MEI Limited Service Port: MEI Port 3

Group 1 is configured for Cancel on Disconnect; Group 2 is not.

Assuming that the Firm is connected on all ports:

Scenario 1: MEI Port 1 disconnects, no quotes removed.

Scenario 2: MEI Port 1 and Port 2 disconnect, Cancel on Disconnect triggered, quotes removed.

Scenario 3: MEI Port 3 disconnects, no quotes removed.

Scenario 4: MEI Port 1 and Port 3 disconnect, no quotes removed.

Example 3: A Member requiring a configuration to divide the ports to separate computers or traders.

Group 1: MEI Full Service Port: MEI Port 1; MEI Limited Service Port: MEI Port 2

Group 2: MEI Full Service Port: MEI Port 3; MEI Limited Service Port: MEI Port 4

Group 1 MPIDs: MPID_1, MPID_2, MPID_3

Group 2 MPIDs: MPID_3, MPID_4, MPID_5

Both groups are configured for Cancel on Disconnect, and MPID_3 is in both groups.

Assuming the Member is connected on all ports:

Scenario 1: MEI Port 1 disconnects, no quotes removed.

Scenario 2: MEI Port 1 and Port 2 disconnect, Cancel on Disconnect triggered for MPID_1, MPID_2, and MPID_3.

Scenario 3: MEI Port 3 disconnects, no quotes removed.

Scenario 4: MEI Port 1 and MEI Port 3 disconnect, Cancel on Disconnect triggered for all MPIDs.

FIX Connections

EEMs connect to their assigned FIX port using the MIAX FIX Order Interface (“FOI”) which is a flexible interface that uses the FIX protocol for both application and session level messages. As per the FIX protocol, a connection is established by the Member submitting a logon message to the Exchange. This logon message establishes the heartbeat interval that will be used by the session. This value must be greater than zero seconds and the same value must be used by both the Member and the Exchange.

Within the logon message a Member can enable “Auto Cancel on Disconnect” for all orders sent through a session by setting a flag in the logon message. This would result in all

eligible orders¹⁷ submitted through the FIX connection to be canceled upon a loss of communication. Alternatively, a Member can identify individual orders on a per order basis that are to be considered for Auto Cancel on Disconnect treatment.

Upon missing a single heartbeat, FOI will send a *Test Request* message¹⁸ to the Member to check the status of the connection. Upon missing a certain number of heartbeats,¹⁹ FOI will send a logout message and terminate the connection. When FOI detects a disconnection for any reason it will trigger the Auto Cancel on Disconnect process, whereby, if enabled, FOI will cancel all eligible orders. If Auto Cancel on Disconnect is not enabled for the session or for any orders, FOI will simply disconnect the FIX session and not cancel any orders. Once disconnected, a FIX user would have to commence a new session to add, modify, or cancel its orders. After a disconnect FOI will not accept connections from the Member for a pre-configured period of time.²⁰ This allows the Exchange to cancel orders without the Member being able to reconnect and attempt to interact with an order in the process of being canceled. Any change to this setting will be announced to Members accordingly.

The Auto Cancel on Disconnect functionality is designed to react to external connection loss scenarios only. Therefore, it does not cancel orders in the event of a MIAX system failure.

¹⁷ Good 'Til Cancelled ("GTC") orders are not eligible for Auto Cancel on Disconnect. A GTC order is an order to buy or sell which remains in effect until it is either executed, cancelled or the underlying option expires. See Exchange Rule 516. PRIME orders are not eligible for Auto Cancel on Disconnect. See Exchange Rule 515A.

¹⁸ The test request message is a FIX Protocol message that forces a heartbeat from the opposing application. The test request message checks sequence numbers or verifies communication line status. The opposite application responds to the Test Request with a Heartbeat containing the Test Request ID. Financial Information Exchange Protocol (FIX), Version 4.2 with errata. May 1, 2001.

¹⁹ The Exchange notes that the current System setting is two (2) heartbeats, and that any change to this setting will be determined by the Exchange and communicated to Members via Regulatory Circular.

²⁰ The Exchange notes the current setting is five (5) seconds.

The execution reports resulting from cancels or trades during the period a Member is disconnected can be received upon a subsequent reconnection by the Member on the same trading day.

The Exchange also proposes to adopt new Interpretations and Policies .01 to enumerate order types that are not eligible for removal by the Auto Cancel on Disconnect functionality. Proposed Interpretation and Policies .01 will state that Good 'Til Cancelled ("GTC")²¹ orders and PRIME orders are not eligible for automatic cancellation. PRIME is the Exchange's Price Improvement Mechanism²² and PRIME orders are stopped orders which are used to start an auction process whereby the execution price the order receives may be improved as a result of the auction. A PRIME auction has a maximum duration of 500 milliseconds. PRIME orders are not resting orders and are used solely to facilitate the PRIME auction process.

Further, the Exchange proposes to adopt new Interpretations and Policies .02 (i) to define what a "Heartbeat" message is and how it used by the Exchange, and (ii) to define the requirements for establishing a "Loss of Communication" on the Exchange.

The functionality discussed above is designed to mitigate potential risks associated with a loss of communication to the Exchange. In today's market, Market Makers' quotes are rapidly changing and can have a lifespan of only milliseconds. Therefore, if a Member is disconnected for any period of time, and its quotes remained in the System, it is very possible that the quotes would be stale by the time the Member was able to reestablish connectivity. Consequently, any resulting execution of such quotes is more likely to be erroneous or unintended. Conversely, the Exchange notes that orders tend to be static in nature and often rest on the Book. Certain orders, such as GTC orders are intended to rest on the Book for an extended period of time. As such,

²¹ See Exchange Rule 516.

²² See Exchange Rule 515A.

there is a lower risk of erroneous or unintended executions resulting from orders that remained in the System after a Member experienced a loss of communication.

The Exchange believes that while information relating to connectivity and loss of communication is already available to Members via technical specifications, codifying this information in the rule text will provide additional transparency and further reduce the potential for confusion.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act²³ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁴ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposed rule will remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors and the public interest by providing Market Makers with a mechanism by which quotes may be removed in the event of a loss of connectivity with the System.

Market Makers provide liquidity to the market place and have obligations unlike other Members.²⁵

²³ 15 U.S.C. 78f(b).

²⁴ 15 U.S.C. 78f(b)(5).

²⁵ See Exchange Rule 603.

This risk protection feature is important because it will enable Market Makers to avoid risks associated with inadvertent executions in the event of a loss of communication with the Exchange. The proposed rule change is not unfairly discriminatory among market participants, as it is available equally to all market participants utilizing MEI. The obligation of Market Makers on the Exchange to provide continuous two-sided quotes in their assigned series on a daily basis²⁶ is not diminished by the removal of such quotes triggered by the disconnect. The Exchange will not be prohibited from taking disciplinary action against a Market Maker for failing to meet its continuous quoting obligation each trading day as a result of disconnections.

The disconnect feature of FIX connections is mandatory, however Members have the option to enable the cancellation of all orders for an entire session or select orders for cancellation on an order-by-order basis, which would result in the cancellation of orders submitted over a FIX port when such port disconnects. It is appropriate to offer two different removal features to all Members utilizing FIX, as these Members may desire that their orders remain on the order book despite a technical disconnection, so as not to miss any opportunities for execution of such orders while the FIX session is disconnected. Offering to cancel all orders, specifically selected orders, or no orders, upon disconnect allows the Member to customize the functionality to align to its business needs. Offering this type of order cancellation functionality to Members is consistent with the Act because it enables Members to avoid risks associated with inadvertent executions in the event of a loss of communication with the Exchange. The order cancellation functionality is designed to mitigate the risk of missed and/or unintended executions associated with a loss in communication with the Exchange. The proposed rule change is not unfairly discriminatory among market participants, as it is available equally to all market participants utilizing FIX.

²⁶ See Exchange Rule 604.

The disconnect feature is mandatory under the FIX protocol. The Exchange will disconnect Members from the Exchange and not cancel orders if the Auto Cancel on Disconnect functionality is not enabled. This feature is consistent with the Act because it provides FIX users the ability to disconnect from the Exchange and assess the current market conditions to make a determination concerning their risk exposure. The Exchange notes that in the event Auto Cancel on Disconnect functionality is not enabled and such orders need to be cancelled after a disconnection occurs, an Exchange participant can contact Exchange staff to have its orders cancelled from the System.²⁷ The Exchange believes requiring a disconnect when a loss of communication is detected to be a rational course of action for the Exchange to alert the Member of the technical connectivity issue.

The Exchange believes that the proposed rule change will assist with the maintenance of a fair and orderly market by codifying risk protections for orders and quotes. The Exchange's proposal is consistent with the Act because it will mitigate the risk of potential erroneous or unintended executions associated with a loss in communication which protects investors and the public interest. Additionally, the proposed rule adds another risk protection tool for Members and protects investors and the public interest by increasing the risk protection tools available to Members of the Exchange. The Exchange believes codifying existing functionality by rule will remove impediments to and perfect the mechanisms of a free and open market by adding precision and ease of reference to the Exchange's Rules, thus promoting transparency and clarity for Members.

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.

²⁷ See Exchange Rule 519C.

The Exchange believes the proposed rule change will not impose any burden on intra-market competition because every Member of the Exchange has the opportunity to benefit from the functionality described in the proposed rule.

The Exchange provides two separate and distinct mechanisms for communicating with the Exchange, MEI and FIX. MEI Ports support the submission of quotes to the Exchange and are used by Market Makers who have heightened quoting obligations because of their role.²⁸ Market Makers are provided the ability to configure their MEI Ports to leverage the functionality provided by the Exchange to remove quotes to align to their risk tolerance. Because of the volume of series that a Market Maker is obligated quote, the Exchange believes that removing all quotes for an affected matching engine on behalf of a Market Maker who has lost its last MEI connection to that engine to be in the best interest of both the Market Maker, to mitigate risk; and the Exchange, to ensure a fair and orderly market.

FIX connections to the Exchange only support order submission. FIX users may set a timeframe for disconnection that is appropriate for their risk tolerance. Offering functionality to cancel all, some, or none, of the orders in the System upon establishing a loss of communication does not create an undue burden on intra-market competition as Members do not equally bear the same risks of potential erroneous or unintended executions. Further, FIX users have greater control over their orders and may designate a number of different Time in Force instructions which can be used to determine the duration an order rests on the Book, from Immediate-or-Cancel, which is executed in whole or part upon receipt, with any unexecuted portion being cancelled; to a Good 'Til Cancelled order, which may rest on the Book until it is executed, cancelled by the user, or until the underlying option expires.²⁹

²⁸ See Exchange Rule 603.

²⁹ See Exchange Rule 516.

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that other option exchanges offer similar functionality.³⁰ For all the reasons stated, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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 Act³¹ and Rule 19b-4(f)(6)³² 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

³⁰ See BOX Rule 8140; CBOE Rule 6.23C; NASDAQ BX Chapter VI, Section 6; and NASDAQ Phlx Rule 1019.

³¹ 15 U.S.C. 78s(b)(3)(A).

³² 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.

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:to-rule-comments@sec.gov). Please include File Number SR-MIAX-2017-08 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-2017-08. 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-2017-08 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.³³

Brent J. Fields
Secretary

³³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;

Deleted text is in [brackets]

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC

Rule 519C. Mass Cancellation of Trading Interest

(a) **Cancel.** A Member may remove all of its quotations and/or cancel all or any subset of its orders in the System, by firm name or by Market Participant Identifier (“MPID”), by requesting the Exchange staff to effect such cancellations.

(b) **Cancel and Block.** A Member may request Exchange staff to (i) remove all of its quotations and cancel all of its orders in the System and (ii) block all new inbound quotations and orders, by firm name or by MPID. The block will remain in effect until the Member requests Exchange staff to remove the block.

(c) Detection of Loss of Communication**(1) MIAX Express Interface (“MEI”)**

When a Loss of Communication is detected on an MEI port during a certain time period (“xx” seconds), the System will close the session and automatically cancel quotes and eQuotes, as configured by the Member, provided that when a Loss of Communication is detected on the last connected MEI port during a certain time period (“xx” seconds), the System will close the session and automatically cancel quotes and eQuotes. The Exchange shall determine the appropriate period of (“xx” seconds) and shall notify Members of the value of “xx” seconds via Regulatory Circular. In no event shall “xx” be less than one (1) second or greater than ten (10) seconds.

(2) Financial Information eXchange (“FIX”) Protocol

When a Loss of Communication is detected on a FIX port the System will logoff the Member’s session and (i) cancel all eligible orders for the FIX Session if instructed by the Member upon login, or (ii) cancel all eligible orders identified by the Member. Following a disconnection, a reconnection will not be permitted for a certain period of time (“yy” seconds). The Exchange shall determine the appropriate period of (“yy” seconds) and shall notify Members of the value of “yy” seconds via Regulatory Circular. In no event shall “yy” be less than one (1) second or greater than ten (10) seconds.

Interpretations and Policies:

.01 Good 'Til Cancelled ("GTC") orders, as defined in Rule 516 and PRIME orders, as defined in Rule 515A, are not eligible for automatic cancellation under paragraph (c) above.

.02 For purposes of this Rule 519C:

(i) A "Heartbeat" message is a communication which acts as a virtual pulse between the Exchange System and the Member's system. The Heartbeat message sent by the Member and received by the Exchange allows the Exchange to continually monitor its connection with the Member.

(ii) "Loss of Communication"

Is determined on an MEI port by (a) the lack of Heartbeats and/or Heartbeat responses as determined by the Exchange and communicated to Members via Regulatory Circular, or (b) the lack of data transmission from the Member, within a certain time period as determined by the Exchange and communicated to Members via Regulatory Circular.

Is determined on a FIX port by the lack of Heartbeats and/or Heartbeat responses as determined by the Exchange and communicated to Members via Regulatory Circular, within a certain time period as specified by the Member upon login.
