

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 47	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 12	Amendment No. (req. for Amendments *)
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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 *).

Amend Rule 515

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 * Gregory Last Name * Ziegler

Title * Associate Counsel

E-mail * gziegler@miaxoptions.com

Telephone * (609) 897-1483 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 03/03/2017 Associate Counsel

By Gregory P. Ziegler

(Name *)

gziegler@miami-holdings.com

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) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or the “Exchange Act”),¹ and Rule 19b-4 thereunder,² Miami International Securities Exchange, LLC (“MIAX Options” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend Exchange Rule 515, Execution of Orders and Quotes.

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 purpose of the proposal is to amend Exchange Rule 515(c) to enhance the price protection process of the Exchange's System.³ The proposal will (i) eliminate a Member's⁴ ability to disable the price protection process, (ii) refine the settings associated with the price protection process, (iii) propose a new behavior of the price protection process to remove certain orders immediately following the commencement of a trading halt and at the end of each trading session, and (iv) eliminate the establishment of a price protection limit for orders received (A) prior to the open or during a trading halt, and (B) during a prior trading session that remain on the Book⁵ at the conclusion of the opening process.⁶

The Exchange provides a price protection process for all orders (excluding Market Maker⁷ orders) as part of its commitment to providing risk protection for Member's orders.⁸ The price protection process prevents an order from being executed beyond the price designated in the order's price protection instructions (the "price protection limit").⁹ The starting point for

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

⁴ 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.

⁵ The term "Book" means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

⁶ See Exchange Rule 503(f).

⁷ The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

⁸ See Exchange Rule 519 for additional order protections.

⁹ See Exchange Rule 515(c)(1).

establishing an order's price protection limit is the NBBO¹⁰ at the time the order is received by the System, or the MBBO¹¹ if the ABBO¹² is crossing the MBBO at the time of receipt. The Exchange refers to this value internally as the initial reference price ("IRP"). The Member may determine the number of Minimum Price Variations ("MPVs")¹³ away from the IRP that it wants to use to establish its price protection limit. If the order is a "buy," some number of Minimum Price Variations ("MPVs"), either as designated by the Member or as defaulted by the Exchange, is added to the IRP to establish the order's price protection limit. If the order is a "sell," some number of MPVs, either as designated by the Member or defaulted by the Exchange, is subtracted from the IRP to establish the order's price protection limit. When an order's price protection limit is triggered, the order (or the remaining contracts of an order) is canceled by the System.

Current Rule 515(c)(1) provides that "[m]arket participants may designate or disable price protection instructions on an order by order basis." In order to enhance the Exchange's price protection process, the Exchange proposes to amend the Rule so that market participants no longer have the option to disable price protection instructions on orders. The Exchange believes that this enhancement benefits market participants and the options market as a whole, as this will ensure that all eligible orders have at least some level of price protection. While this proposal effectively mandates usage of the price protection process, the Exchange notes that market

¹⁰ The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

¹¹ The term "MBBO" means the best bid or offer on the Exchange. See Exchange Rule 100.

¹² The term "ABBO" or "Away Best Bid or Offer" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (defined in Rule 1400(f)) and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

¹³ See Exchange Rule 510.

participants will still have the ability to set price protection instructions a significant number of MPVs away from the IRP (as discussed below) should they so elect, therefore the Exchange does not view the proposal as a material or significant change.

Additionally, the Exchange proposes to enhance the price protection process by refining the settings associated with this process. Currently in the System, Members may disable price protection by providing a value of -1 in the price protection instructions, or Members may enable price protection by selecting an MPV value from a range (in whole numbers only) of 0 through 99 – that is, the number of MPVs beyond the IRP that an order may trade. Providing Members with such a wide range of MPV settings could render the price protection process ineffective, should a Member select an MPV setting at the upper end of that range. Accordingly, the Exchange proposes to establish a narrower range of MPV settings, and to insert the range into the Rule. While this range will be determined by the Exchange and announced to Members through a Regulatory Circular, the range will be (in whole numbers only) no less than zero (0) MPVs and no greater than twenty (20) MPVs away from the IRP.

The Exchange also proposes to establish a range of MPV settings from which the Exchange may select to serve as the default value for price protection instructions, should a market participant not provide its own price protection instructions for its order. The current Rule states that this default price protection will be one MPV away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO. The Exchange now proposes to establish a range of MPV settings from one (1) to five (5) MPVs away from the NBBO at the time of receipt. The Exchange will announce the default value for the price protection instruction to Members through a Regulatory Circular, such value shall be in whole numbers only and shall apply universally to all products traded on the Exchange. The Exchange believes

that having a range of MPV settings to choose from will provide greater flexibility to the Exchange and enable it to select an appropriate global default MPV value where one is not provided by the market participant.

Except as discussed below, orders can be received by the Exchange either prior to or after completion of the opening process. Orders may have a limit price (“limit orders”)¹⁴ or be priced to buy or sell at the current market price (“market orders”).¹⁵ A market order represents a willingness to buy or sell at the best price available at the time of execution. A market order to buy could execute at the maximum price permitted by the Exchange,¹⁶ whereas a market order to sell could execute at the minimum price permitted by the Exchange, or one (1) MPV above zero.¹⁷ When orders are received after the opening process is complete and when the market is in a regular trading state, the price protection process tethers the order’s price to the current NBBO, (or MBBO if the ABBO is crossing the MBBO at the time of receipt), and provides protection (based on the number of MPVs supplied by the Member or defaulted by the Exchange) for orders that are priced through the NBBO.

Limit Orders

For purposes of this Rule 515(c), the Exchange is proposing to consider the effective limit price of a limit order to be the limit price of the order. Depending upon the NBBO at the time of receipt by the System, and the order’s price protection instructions, the order’s price

¹⁴ A limit order is an order to buy or sell a stated number of option contracts at a specified price or better. See Exchange Rule 516.

¹⁵ A market order is an order to buy or sell a stated number of option contracts at the best price available at the time of execution. See Exchange Rule 516.

¹⁶ The Exchange notes that the maximum price that an order may be executed at in the System is \$1,999.99.

¹⁷ A market order to sell could execute at \$.01 in an option class quoted and traded in increments as low as \$.01; or at \$.05 in an option class quoted and traded in increments as low as \$.05. See Exchange Rule 510.

protection limit can be considered either “more aggressive” (equal to or higher than the order’s effective limit price for a buy order or equal to or lower than the order’s effective limit price for a sell order) or “less aggressive” (lower than the order’s effective limit price for a buy order or higher than the order’s effective limit price for a sell order) than the order’s effective limit price. When an order’s price protection limit is equal to or more aggressive than its effective limit price, the order’s effective price protection limit will be the order’s limit price, as an order will never trade through its limit price on the Exchange.

Market Orders

For purposes of evaluating market orders under the proposed price protection process outlined in this Rule, the Exchange is proposing to consider the effective limit price of a market order to buy to be the maximum price currently permitted by the Exchange’s System,¹⁸ and the effective limit price for a market order to sell to be one (1) MPV above zero (\$.01 for options quoted and traded in increments as low as \$.01, or \$.05 for options quoted and traded in increments as low as \$.05).¹⁹

Depending upon the NBBO at the time of receipt by the System, and the order’s price protection instructions, the order’s price protection limit can either be more aggressive (equal to or higher than the order’s effective limit price for a buy order or equal to or lower than the order’s effective limit price for a sell order) or less aggressive (lower than the order’s effective limit price for a buy order or higher than the order’s effective limit price for a sell order) than the order’s effective limit price.

The price protection process will remain unchanged for orders received after the opening process has been completed, when the market is in a regular trading session. For both limit and

¹⁸ See supra note 16.

¹⁹ See Exchange Rule 510.

market orders, when an order's price protection limit is triggered, the order, or the remaining contracts of the order, is canceled. Under the current rule, this cancellation will only occur during regular trading and can possibly result in an order not receiving an execution at the price anticipated by the Member when the order was submitted, as a result of a price protection limit that is less aggressive than the order's effective limit price. Under the current rule, an order with a price protection limit less aggressive than the order's effective limit price will persist throughout the course of an entire trading day, including through a trading halt, (provided the order's price protection limit isn't triggered).

The Exchange now proposes to evaluate orders at the conclusion of each trading session (including after a trading halt as defined in Rule 504), to identify those orders that have a price protection limit that is less aggressive than the order's effective limit price, in addition to current functionality. The Exchange believes it is in the best interest of its Members to proactively identify orders on the Book that have a price protection limit that is less aggressive than the order's effective limit price at the conclusion of each trading session when the market is not in a regular trading state. Given that these orders will never trade to their effective limit price, the Exchange proposes to cancel these orders from the Book so that Members can benefit from an increase in the amount of time available to re-evaluate the current market conditions prior to resubmitting the order to the Exchange.

The following examples demonstrate how the proposed process would work for non-routable limit orders.

Option MPV = \$.01

MBBO: \$1.00 x \$1.05

ABBO: \$1.01 x \$1.03

NBBO: \$1.01 x \$1.03

Order #1 Received: Buy @ \$1.08 GTC, Price Protection MPVs: 2

1. Order is managed to the ABBO
2. Effective limit price: \$1.08 (bid)
3. Display price: \$1.02 (bid)
4. Book price: \$1.03 (bid)
5. Price protection limit: \$1.05 [(IRP + 2 MPVs) or (\$1.03 + \$.02)]
6. The order's price protection limit (\$1.05) is less aggressive than the order's effective limit price (\$1.08)

Order #2 Received: Buy @ \$1.04 GTC, Price Protection MPVs: 2

1. Order is Managed to the ABBO
2. Effective limit price: \$1.04
3. Display price: \$1.02 (bid)
4. Book price: \$1.03 (bid)
5. Price protection limit: \$1.05 [(IRP + 2 MPVs) or (\$1.03 + \$.02)]
6. The order's price protection limit (\$1.05) is more aggressive than the order's effective limit price (\$1.04)

The Market closes (or Halts as per Rule 504).

1. Order #1 is canceled as the order's price protection limit (\$1.05) is less aggressive than its effective limit price (\$1.08). Under proposed Interpretations and Policies .04, the System will cancel a buy order when the order's price protection limit is lower than the order's effective limit price.

2. Order #2 is maintained on the Book as the order's price protection limit (\$1.05) is more aggressive than its effective limit price (\$1.04). Under proposed Interpretations and Policies .04, the System will not cancel a buy order when the order's price protection limit is higher than the order's effective limit price.

The following examples demonstrate how the proposed process would work for non-routable market orders.

Option MPV = \$.01

MBBO: \$1.00 x \$1.05

ABBO: \$1.01 x \$1.03

NBBO: \$1.01 x \$1.03

Order # 3 Received: Buy @ the Market GTC, Price Protection MPVs: 2

1. Order is Managed to the ABBO
2. Effective limit price: \$1,999.99 (Exchange Maximum)
3. Display price: \$1.02 (bid)
4. Book price: \$1.03 (bid)
5. Price protection limit: \$1.05 [(IRP + 2 MPVs) or (\$1.03 + \$.02)]
6. The order's price protection limit (\$1.05) is less aggressive than the order's effective limit price (\$1,999.99)

Option MPV = \$.01

MBBO: \$.00 x \$.15

ABBO: \$.05 x \$.15

NBBO: \$.05 x \$.15

Order #4 Received: Sell @ the Market, Price Protection MPVs: 2

1. Order is managed to the ABBO
2. Effective limit price: \$.01
3. Display price: \$.06 (offer)
4. Book price: \$.05 (offer)
5. Price protection limit: \$.03 [(IRP - 2 MPVs) or (.05 - \$.02)]
6. The order's price protection limit (\$.03) is less aggressive than the order's effective limit price (\$.01)

Order #5 Received: Sell @ the Market, Price Protection MPVs: 4

1. Order is managed to the ABBO
2. Effective limit price: \$.01
3. Display price: \$.06 (offer)
4. Book price: \$.05 (offer)
5. Price protection limit: \$.01 [(IRP - 4 MPVs) or (\$.05 - \$.04)]
6. The order's price protection limit (\$.01) is equal to the order's effective limit price (\$.01)

The Market closes (or Halts as per Rule 504).

3. Order #3 is canceled as the order's price protection limit (\$1.05) is less aggressive than the order's effective limit price (\$1,999.99). Under proposed Interpretations and Policies .04, the System will cancel a buy order when the order's price protection limit is lower than the order's effective limit price.
- Order #4 is canceled as the order's price protection limit (\$0.03) is less aggressive than its effective limit price (\$0.01). Under proposed

Interpretations and Policies .04, the System will cancel a sell order when the order's price protection limit is higher than the order's effective limit price.

- Order #5 is maintained on the Book as the order's price protection limit (\$0.01) is equal to its effective limit price (\$0.01). Under proposed Interpretations and Policies .04, the System will not cancel a sell order when the order's price protection limit is not higher than the order's effective limit price.

The Exchange believes that its proposal to cancel orders at the end of a trading session, when the order's price protection limit is less aggressive than the order's effective limit price, will afford market participants the opportunity to evaluate whether to re-submit their orders and/or establish a different price and/or price protection instructions, based on then-current market conditions, prior to the opening of the next trading session. Given that the Exchange can discern when an order may not fill at the price levels anticipated, (based on an order having a price protection limit that is less aggressive than the order's effective limit price), the Exchange believes the most prudent course of action in these circumstances is to return the order to the Member for analysis and evaluation, while the market is not in a regular trading state, (e.g., a Member submitting a non-routable market order to sell in an option class quoting in \$.01 increments, when the MBBO is \$0.00 x \$0.15 and the NBBO is \$0.05 x \$0.15, could expect to sell at every price increment down to \$.01. However, if the Exchange default price protection instruction is 2 MPVs, the order would receive a price protection limit of \$0.03. When the price protection limit is triggered, the order, or the remaining contracts of the order, would be canceled, and the order would not execute at \$0.02 or \$0.01).

Specifically, the Exchange proposes to adopt new Interpretations and Policies .04, to state that the System will cancel certain orders from the Book immediately following the commencement of a trading halt pursuant to Rule 504, and at the end of each trading session, when the order's price protection limit is less aggressive than the order's effective limit price. Interpretations and Policies .04 further states that, for the purposes of this Rule, the effective limit price of a limit order will be the order's limit price; the effective limit price of a market order to buy, will be the maximum price currently permitted by the Exchange;²⁰ and the effective limit price of a market order to sell, will be one (1) MPV as established by Rule 510, either \$.01 for option classes quoted and traded in increments as low as \$.01, or \$.05 for option classes quoted and traded in increments as low as \$.05.

Finally, the Exchange proposes to eliminate the establishment of a price protection limit for orders that are received prior to the open or during a trading halt and for orders that remain on the Book at the conclusion of the opening process. Orders received prior to the opening process or during a trading halt and orders carried over from a prior trading session participate in the opening process. This is true today under existing Exchange rules and is not changing under this proposal. The Exchange has a single opening process that is used to open the System for trading at the start of the day, and to reopen the System for trading after an intraday halt.²¹ During the opening process, the opening price serves as a price protection limit for all orders participating in the opening, and orders that are priced through the opening price are canceled at the conclusion of the opening process.^{22 23} Following the opening process, the System currently

²⁰ See supra note 16.

²¹ See Exchange Rule 503.

²² See Exchange Rule 503(f)(2)(vii)(B)(5).

assigns a new IRP equal to the NBBO to any such orders that remain unexecuted after the opening process is complete.

The Exchange now proposes to eliminate the establishment of a price protection limit for orders that have participated in the opening process and that remain on the Book. As proposed, orders that are received prior to the open or during a trading halt and orders from a prior trading session that remain on the Book after the opening process concludes, will be booked and managed at the order's limit price. An order that is received prior to the open or during a trading halt and that remains on the Book after the opening process concludes is not priced through the opening price and may be booked and managed at its limit price. The order's limit price serves as the most effective price protection limit as an order will never trade through its limit price on the Exchange.

During a regular trading session, an order with a price protection limit that is more aggressive than its limit price will either rest on the Book or fill to its limit price and no further. An order with a price protection limit that is less aggressive than its limit price will either rest on the Book or fill to its price protection limit, which once triggered will cancel the order, or the remaining contracts of the order, which in all cases will be before the order has a chance to trade to its limit price. As proposed, at the conclusion of each trading session, the System will cancel orders with a price protection limit that is less aggressive than the order's effective limit price. Therefore, the only orders that will remain in the System from a prior session to participate in the opening will be orders with a price protection limit that is more aggressive than the order's effective limit price. As previously discussed, limit orders with a price protection limit more

²³ The Exchange notes that market orders will never remain on the book after the opening process concludes, as by definition these orders will always be priced through the opening price and will be filled to the extent possible and then canceled at the conclusion of the opening process.

aggressive than the order's effective limit price are managed to their limit price, as a limit order will never execute through its limit price, and the price protection limit is not a factor for these orders. Therefore, additional price protection is unnecessary for orders that remain on the Book after participating in the opening process as orders on the Exchange will never trade through their limit price.

The Exchange believes that the enhancements it is proposing to its price protection process in the proposed rule change should assist market participants in making informed decisions concerning trading opportunities by clarifying the relationship between an order's limit price, price protection limit, and the operation of the Exchange's price protection process. The Exchange believes that the detailed description of this functionality belongs in the Exchange's Rules in order to inform market participants whose orders are being managed, that such orders may be canceled by the Exchange under certain circumstances, and the reasons therefore. The proposed rule change should assist market participants in making decisions concerning price limits and routing decisions. While this proposal effectively mandates usage of the price protection process, the Exchange notes that market participants will still have the ability to set price protection limits at higher thresholds should they so elect, therefore the Exchange does not view the proposal as a material or significant change.

b. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act²⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁵ 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

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

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 system protections described above are designed in the interest of protecting investors and to assure fair and orderly markets on the Exchange.

Specifically, the Exchange operates an electronic marketplace in which orders are processed and executed in less than one second. Without any safeguards, orders that outsize the liquidity available at the displayed best bid or offer on the Exchange could potentially trade at prices far below the best bid and far above the best offer, creating extreme volatility in the marketplace and poor executions for investors.

The Exchange believes that the proposed rule change to enhance the price protection process of the Exchange's System will protect investors and the public interest. The Exchange believes that reducing the number of price levels at which an incoming order can execute appropriately balances the interests of investors seeking execution of their orders and the Exchange's obligations to provide a fair and orderly market. Further, the Exchange believes that defining the minimum and maximum range of MPVs available to the Members within the Rule promotes transparency and clarity in the Exchange's rules and protects investors and the public interest.

Additionally, the proposal provides the Exchange with a range of values to select from when establishing a default price protection limit, which provides greater flexibility for the Exchange to adequately tailor its default setting to market conditions. Providing default values will benefit market participants and the options market as a whole as this will ensure that all eligible orders have a minimal level of price protection. The proposal to eliminate a Member's ability to disable the price protection process will facilitate transactions in securities as Members

will have greater confidence that protections are in place that reduce the risk of executions at prices that are significantly through the market. Additionally, the Exchange believes that this benefits all market participants by ensuring that all eligible orders have some level of price protection. As a result, the enhancements to the price protection process promotes just and equitable principles of trade. While this proposal effectively mandates usage of the price protection process, the Exchange notes that market participants will still have the ability to set price protection limits at high thresholds should they so elect, therefore the Exchange does not view the proposal as a material or significant change.

The Exchange believes that its proposal to remove orders with a price protection limit less aggressive than the order's effective limit price at the conclusion of a trading session (or after a trading halt as defined in Rule 504) to be in the best interest of the investor as these orders will never fill to their effective limit price. The price protection process will cancel an order, or the remaining contracts of an order, when the price protection limit is triggered during regular trading. The Exchange believes it is in the best interest of investors for the Exchange to return an order with a price protection limit that is less aggressive than the order's effective limit price to the Member, while the market is not in regular trading, so that the Member has more time to evaluate whether to re-submit the order and/or establish a different price and/or different price protection instructions, based on the then-current market conditions. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with more time to evaluate their orders which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

The Exchange believes that the elimination of a price protection limit for orders that are received prior to the opening or during a trading halt and for orders received during a prior trading session that remain on the book following the Opening Process (other than the price protection afforded by opening price) provides transparency and clarity in the Exchange's rules. As noted above, the Exchange believes that booking and posting these orders at their limit price provides the same level of protection as the price protection process, as an order will never trade through its limit price on the Exchange. The Exchange believes it is in the interest of investors and the public to accurately describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Transparency and clarity are consistent with the Act because it removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System.

The Exchange believes its proposal to add new Interpretations and Policies .04 protects investors and the public interest by clearly stating in the Exchange's rules the method by which the Exchange is evaluating orders for removal by the System. Further, the Exchange believes that providing the definition of effective limit price provides clarity and transparency in the Exchange's rules. Additionally, the Exchange's proposal to remove orders where the price protection limit for a buy order is lower than the order's effective limit price; and where the price protection limit for a sell order is higher than the order's effective limit price, contributes to the maintenance of a fair and orderly market by returning orders that would not fill to their effective limit price to the market participant for re-evaluation while the market is not in a regular trading state. Market participants can evaluate the current market conditions and consider re-submitting

their order with a new price and/or new price protection instructions while the market is not active.

The Exchange believes this proposal will provide MIAX participants with a better understanding of the Exchange's price protection process. The description of the System's functionality is designed to promote just and equitable principles of trade by providing a clear and accurate description to all participants of how the price protection process is applied and should assist investors in making decisions concerning their orders. Further, the Exchange believes that the price protection process provides market participants with an appropriate level of risk protection on their orders and contributes to the maintenance of a fair and orderly market.

Additionally, the Exchange notes that it has an affiliate Exchange, MIAX PEARL, LLC ("MIAX PEARL") and that MIAX Options and MIAX PEARL have similar rules.²⁶ A substantially similar rule on MIAX PEARL became operative when the Exchange commenced operations on February 6, 2017.²⁷ Further, MIAX Options and MIAX PEARL also have a number of common Members and on each Exchange, where feasible, the Exchange intends to implement similar behavior to provide consistency between the Exchanges so as to avoid confusion among Members. Aligning similar rules on the Exchange and MIAX PEARL provides transparency and clarity in the rules and minimizes the potential for confusion, thereby protecting investors and the public interest.

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 not necessary or appropriate in furtherance of the purposes of the Act. Specifically,

²⁶ The Exchange notes that MIAX PEARL incorporates the following Chapters of the MIAX Options Rule Book by reference: Chapter III, VII, VIII, IX, XI, XIII, XIV, XV, and XVI.

²⁷ See MIAX PEARL Rule 515.

the Exchange believes the proposed changes will not impose any burden on intra-market competition because it applies to all MIAX participants equally. In addition, the Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing further enhancements and transparency regarding the Exchange's price protection functionality.

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) of the Act²⁸ and Rule 19b-4(f)(6)²⁹ 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 proposal promotes the protection of investors and the public interest because it provides several additional enhancements to the price protection process that the Exchange believes should be included in the Rules. The proposal also promotes the protection of investors and the public interest by providing additional clarity in the Exchange's Rules concerning the behavior of the price protection process. The proposal does not impose a burden on competition

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4(f)(6).

because it applies evenly to all Exchange participants and is designed to promote the protection of investors and the public interest by providing further enhancements and transparency regarding the Exchange's price protection process. The Exchange does not believe that the proposed rule change raises any novel or unique substantive issues. While this proposal effectively mandates usage of the price protection process for orders received during regular trading, the Exchange notes that market participants will still have the ability to set price protection limits at high thresholds should they so elect, so the Exchange does not view the proposal as a material or significant change.

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 Act³⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)³¹ 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 so that Members may benefit from the enhancements to the Exchange's price protection process that will (i) eliminate a Member's ability to disable the price protection process, (ii) refine the settings associated with the price protection process, (iii) propose a new behavior of the price protection process to remove certain orders immediately following a trading halt and at the end of each trading session, and (iv) eliminate the establishment of a price protection limit for orders

³⁰ 17 CFR 240.19b-4(f)(6).

³¹ 17 CFR 240.19b-4(f)(6).

received (A) prior to the open or during a trading halt, and (B) during a prior trading session that remain on the Book at the conclusion of the opening process.

The Exchange believes the proposed change will promote a fair and orderly market, will remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, will protect investors and the public interest by giving Members more time to evaluate orders that may not trade to their effective limit price due to the price protection process, which is substantially similar to a rule that is currently in place on MIAX PEARL. The Exchange notes that the proposal will provide consistent functionality, where feasible, between the Exchange and MIAX PEARL, thereby reducing complexity by avoiding potential confusion by Members of the Exchange who are also participants on MIAX PEARL. Therefore, allowing the Exchange to adopt these changes without an operative delay is consistent with the protection of investors and the public interest.

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.

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

The Exchange notes that this proposal is based on MIAX PEARL Rule 515, Execution of Orders.³² The proposed rule change to Rule 515 is based on and is substantially similar to MIAX PEARL Rule 515. The Exchange notes that there is a material difference between the rules regarding the disposition of orders during the Opening Process of orders that are priced through the opening price. On the Exchange these orders are executed to the extent possible and then

³² See MIAX PEARL Rule 515.

canceled, whereas on MIAX PEARL, the orders are not canceled and instead are re-introduced to the market at the conclusion of the Opening Process.

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 proposed rule change.

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2017-12)

March __, 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 515, Execution of Orders and Quotes.

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 March 3, 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 515, Execution of Orders and Quotes.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 purpose of the proposal is to amend Exchange Rule 515(c) to enhance the price protection process of the Exchange's System.³ The proposal will (i) eliminate a Member's⁴ ability to disable the price protection process, (ii) refine the settings associated with the price protection process, (iii) propose a new behavior of the price protection process to remove certain orders immediately following the commencement of a trading halt and at the end of each trading session, and (iv) eliminate the establishment of a price protection limit for orders received (A) prior to the open or during a trading halt, and (B) during a prior trading session that remain on the Book⁵ at the conclusion of the opening process.⁶

The Exchange provides a price protection process for all orders (excluding Market Maker⁷ orders) as part of its commitment to providing risk protection for Member's orders.⁸ The price protection process prevents an order from being executed beyond the price designated in

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

⁴ 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.

⁵ The term "Book" means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

⁶ See Exchange Rule 503(f).

⁷ The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

⁸ See Exchange Rule 519 for additional order protections.

the order's price protection instructions (the "price protection limit").⁹ The starting point for establishing an order's price protection limit is the NBBO¹⁰ at the time the order is received by the System, or the MBBO¹¹ if the ABBO¹² is crossing the MBBO at the time of receipt. The Exchange refers to this value internally as the initial reference price ("IRP"). The Member may determine the number of Minimum Price Variations ("MPVs")¹³ away from the IRP that it wants to use to establish its price protection limit. If the order is a "buy," some number of Minimum Price Variations ("MPVs"), either as designated by the Member or as defaulted by the Exchange, is added to the IRP to establish the order's price protection limit. If the order is a "sell," some number of MPVs, either as designated by the Member or defaulted by the Exchange, is subtracted from the IRP to establish the order's price protection limit. When an order's price protection limit is triggered, the order (or the remaining contracts of an order) is canceled by the System.

Current Rule 515(c)(1) provides that "[m]arket participants may designate or disable price protection instructions on an order by order basis." In order to enhance the Exchange's price protection process, the Exchange proposes to amend the Rule so that market participants no longer have the option to disable price protection instructions on orders. The Exchange believes that this enhancement benefits market participants and the options market as a whole, as this will

⁹ See Exchange Rule 515(c)(1).

¹⁰ The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

¹¹ The term "MBBO" means the best bid or offer on the Exchange. See Exchange Rule 100.

¹² The term "ABBO" or "Away Best Bid or Offer" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (defined in Rule 1400(f)) and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

¹³ See Exchange Rule 510.

ensure that all eligible orders have at least some level of price protection. While this proposal effectively mandates usage of the price protection process, the Exchange notes that market participants will still have the ability to set price protection instructions a significant number of MPVs away from the IRP (as discussed below) should they so elect, therefore the Exchange does not view the proposal as a material or significant change.

Additionally, the Exchange proposes to enhance the price protection process by refining the settings associated with this process. Currently in the System, Members may disable price protection by providing a value of -1 in the price protection instructions, or Members may enable price protection by selecting an MPV value from a range (in whole numbers only) of 0 through 99 – that is, the number of MPVs beyond the IRP that an order may trade. Providing Members with such a wide range of MPV settings could render the price protection process ineffective, should a Member select an MPV setting at the upper end of that range. Accordingly, the Exchange proposes to establish a narrower range of MPV settings, and to insert the range into the Rule. While this range will be determined by the Exchange and announced to Members through a Regulatory Circular, the range will be (in whole numbers only) no less than zero (0) MPVs and no greater than twenty (20) MPVs away from the IRP.

The Exchange also proposes to establish a range of MPV settings from which the Exchange may select to serve as the default value for price protection instructions, should a market participant not provide its own price protection instructions for its order. The current Rule states that this default price protection will be one MPV away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO. The Exchange now proposes to establish a range of MPV settings from one (1) to five (5) MPVs away from the NBBO at the time of receipt. The Exchange will announce the default value for the price protection instruction to Members through a Regulatory Circular, such value shall be in whole numbers

only and shall apply universally to all products traded on the Exchange. The Exchange believes that having a range of MPV settings to choose from will provide greater flexibility to the Exchange and enable it to select an appropriate global default MPV value where one is not provided by the market participant.

Except as discussed below, orders can be received by the Exchange either prior to or after completion of the opening process. Orders may have a limit price (“limit orders”)¹⁴ or be priced to buy or sell at the current market price (“market orders”).¹⁵ A market order represents a willingness to buy or sell at the best price available at the time of execution. A market order to buy could execute at the maximum price permitted by the Exchange,¹⁶ whereas a market order to sell could execute at the minimum price permitted by the Exchange, or one (1) MPV above zero.¹⁷ When orders are received after the opening process is complete and when the market is in a regular trading state, the price protection process tethers the order’s price to the current NBBO, (or MBBO if the ABBO is crossing the MBBO at the time of receipt), and provides protection (based on the number of MPVs supplied by the Member or defaulted by the Exchange) for orders that are priced through the NBBO.

Limit Orders

For purposes of this Rule 515(c), the Exchange is proposing to consider the effective limit price of a limit order to be the limit price of the order. Depending upon the NBBO at the

¹⁴ A limit order is an order to buy or sell a stated number of option contracts at a specified price or better. See Exchange Rule 516.

¹⁵ A market order is an order to buy or sell a stated number of option contracts at the best price available at the time of execution. See Exchange Rule 516.

¹⁶ The Exchange notes that the maximum price that an order may be executed at in the System is \$1,999.99.

¹⁷ A market order to sell could execute at \$.01 in an option class quoted and traded in increments as low as \$.01; or at \$.05 in an option class quoted and traded in increments as low as \$.05. See Exchange Rule 510.

time of receipt by the System, and the order's price protection instructions, the order's price protection limit can be considered either "more aggressive" (equal to or higher than the order's effective limit price for a buy order or equal to or lower than the order's effective limit price for a sell order) or "less aggressive" (lower than the order's effective limit price for a buy order or higher than the order's effective limit price for a sell order) than the order's effective limit price. When an order's price protection limit is equal to or more aggressive than its effective limit price, the order's effective price protection limit will be the order's limit price, as an order will never trade through its limit price on the Exchange.

Market Orders

For purposes of evaluating market orders under the proposed price protection process outlined in this Rule, the Exchange is proposing to consider the effective limit price of a market order to buy to be the maximum price currently permitted by the Exchange's System,¹⁸ and the effective limit price for a market order to sell to be one (1) MPV above zero (\$.01 for options quoted and traded in increments as low as \$.01, or \$.05 for options quoted and traded in increments as low as \$.05).¹⁹

Depending upon the NBBO at the time of receipt by the System, and the order's price protection instructions, the order's price protection limit can either be more aggressive (equal to or higher than the order's effective limit price for a buy order or equal to or lower than the order's effective limit price for a sell order) or less aggressive (lower than the order's effective limit price for a buy order or higher than the order's effective limit price for a sell order) than the order's effective limit price.

¹⁸ See supra note 16.

¹⁹ See Exchange Rule 510.

The price protection process will remain unchanged for orders received after the opening process has been completed, when the market is in a regular trading session. For both limit and market orders, when an order's price protection limit is triggered, the order, or the remaining contracts of the order, is canceled. Under the current rule, this cancellation will only occur during regular trading and can possibly result in an order not receiving an execution at the price anticipated by the Member when the order was submitted, as a result of a price protection limit that is less aggressive than the order's effective limit price. Under the current rule, an order with a price protection limit less aggressive than the order's effective limit price will persist throughout the course of an entire trading day, including through a trading halt, (provided the order's price protection limit isn't triggered).

The Exchange now proposes to evaluate orders at the conclusion of each trading session (including after a trading halt as defined in Rule 504), to identify those orders that have a price protection limit that is less aggressive than the order's effective limit price, in addition to current functionality. The Exchange believes it is in the best interest of its Members to proactively identify orders on the Book that have a price protection limit that is less aggressive than the order's effective limit price at the conclusion of each trading session when the market is not in a regular trading state. Given that these orders will never trade to their effective limit price, the Exchange proposes to cancel these orders from the Book so that Members can benefit from an increase in the amount of time available to re-evaluate the current market conditions prior to resubmitting the order to the Exchange.

The following examples demonstrate how the proposed process would work for non-routable limit orders.

Option MPV = \$.01

MBBO: \$1.00 x \$1.05

ABBO: \$1.01 x \$1.03

NBBO: \$1.01 x \$1.03

Order #1 Received: Buy @ \$1.08 GTC, Price Protection MPVs: 2

1. Order is managed to the ABBO
2. Effective limit price: \$1.08 (bid)
3. Display price: \$1.02 (bid)
4. Book price: \$1.03 (bid)
5. Price protection limit: \$1.05 [(IRP + 2 MPVs) or (\$1.03 + \$.02)]
6. The order's price protection limit (\$1.05) is less aggressive than the order's effective limit price (\$1.08)

Order #2 Received: Buy @ \$1.04 GTC, Price Protection MPVs: 2

1. Order is Managed to the ABBO
2. Effective limit price: \$1.04
3. Display price: \$1.02 (bid)
4. Book price: \$1.03 (bid)
5. Price protection limit: \$1.05 [(IRP + 2 MPVs) or (\$1.03 + \$.02)]
6. The order's price protection limit (\$1.05) is more aggressive than the order's effective limit price (\$1.04)

The Market closes (or Halts as per Rule 504).

1. Order #1 is canceled as the order's price protection limit (\$1.05) is less aggressive than its effective limit price (\$1.08). Under proposed Interpretations and Policies .04, the System will cancel a buy order when the order's price protection limit is lower than the order's effective limit price.

2. Order #2 is maintained on the Book as the order's price protection limit (\$1.05) is more aggressive than its effective limit price (\$1.04). Under proposed Interpretations and Policies .04, the System will not cancel a buy order when the order's price protection limit is higher than the order's effective limit price.

The following examples demonstrate how the proposed process would work for non-routable market orders.

Option MPV = \$.01

MBBO: \$1.00 x \$1.05

ABBO: \$1.01 x \$1.03

NBBO: \$1.01 x \$1.03

Order # 3 Received: Buy @ the Market GTC, Price Protection MPVs: 2

1. Order is Managed to the ABBO
2. Effective limit price: \$1,999.99 (Exchange Maximum)
3. Display price: \$1.02 (bid)
4. Book price: \$1.03 (bid)
5. Price protection limit: \$1.05 [(IRP + 2 MPVs) or (\$1.03 + \$.02)]
6. The order's price protection limit (\$1.05) is less aggressive than the order's effective limit price (\$1,999.99)

Option MPV = \$.01

MBBO: \$.00 x \$.15

ABBO: \$.05 x \$.15

NBBO: \$.05 x \$.15

Order #4 Received: Sell @ the Market, Price Protection MPVs: 2

1. Order is managed to the ABBO
2. Effective limit price: \$.01
3. Display price: \$.06 (offer)
4. Book price: \$.05 (offer)
5. Price protection limit: \$.03 [(IRP - 2 MPVs) or (.05 - \$.02)]
6. The order's price protection limit (\$.03) is less aggressive than the order's effective limit price (\$.01)

Order #5 Received: Sell @ the Market, Price Protection MPVs: 4

1. Order is managed to the ABBO
2. Effective limit price: \$.01
3. Display price: \$.06 (offer)
4. Book price: \$.05 (offer)
5. Price protection limit: \$.01 [(IRP - 4 MPVs) or (\$.05 - \$.04)]
6. The order's price protection limit (\$.01) is equal to the order's effective limit price (\$.01)

The Market closes (or Halts as per Rule 504).

3. Order #3 is canceled as the order's price protection limit (\$1.05) is less aggressive than the order's effective limit price (\$1,999.99). Under proposed Interpretations and Policies .04, the System will cancel a buy order when the order's price protection limit is lower than the order's effective limit price.
- Order #4 is canceled as the order's price protection limit (\$0.03) is less aggressive than its effective limit price (\$0.01). Under proposed

Interpretations and Policies .04, the System will cancel a sell order when the order's price protection limit is higher than the order's effective limit price.

- Order #5 is maintained on the Book as the order's price protection limit (\$0.01) is equal to its effective limit price (\$0.01). Under proposed Interpretations and Policies .04, the System will not cancel a sell order when the order's price protection limit is not higher than the order's effective limit price.

The Exchange believes that its proposal to cancel orders at the end of a trading session, when the order's price protection limit is less aggressive than the order's effective limit price, will afford market participants the opportunity to evaluate whether to re-submit their orders and/or establish a different price and/or price protection instructions, based on then-current market conditions, prior to the opening of the next trading session. Given that the Exchange can discern when an order may not fill at the price levels anticipated, (based on an order having a price protection limit that is less aggressive than the order's effective limit price), the Exchange believes the most prudent course of action in these circumstances is to return the order to the Member for analysis and evaluation, while the market is not in a regular trading state, (e.g., a Member submitting a non-routable market order to sell in an option class quoting in \$.01 increments, when the MBBO is \$0.00 x \$0.15 and the NBBO is \$0.05 x \$0.15, could expect to sell at every price increment down to \$.01. However, if the Exchange default price protection instruction is 2 MPVs, the order would receive a price protection limit of \$0.03. When the price protection limit is triggered, the order, or the remaining contracts of the order, would be canceled, and the order would not execute at \$0.02 or \$0.01).

Specifically, the Exchange proposes to adopt new Interpretations and Policies .04, to state that the System will cancel certain orders from the Book immediately following the

commencement of a trading halt pursuant to Rule 504, and at the end of each trading session, when the order's price protection limit is less aggressive than the order's effective limit price. Interpretations and Policies .04 further states that, for the purposes of this Rule, the effective limit price of a limit order will be the order's limit price; the effective limit price of a market order to buy, will be the maximum price currently permitted by the Exchange;²⁰ and the effective limit price of a market order to sell, will be one (1) MPV as established by Rule 510, either \$.01 for option classes quoted and traded in increments as low as \$.01, or \$.05 for option classes quoted and traded in increments as low as \$.05.

Finally, the Exchange proposes to eliminate the establishment of a price protection limit for orders that are received prior to the open or during a trading halt and for orders that remain on the Book at the conclusion of the opening process. Orders received prior to the opening process or during a trading halt and orders carried over from a prior trading session participate in the opening process. This is true today under existing Exchange rules and is not changing under this proposal. The Exchange has a single opening process that is used to open the System for trading at the start of the day, and to reopen the System for trading after an intraday halt.²¹ During the opening process, the opening price serves as a price protection limit for all orders participating in the opening, and orders that are priced through the opening price are canceled at the conclusion of the opening process.^{22 23} Following the opening process, the System currently

²⁰ See supra note 16.

²¹ See Exchange Rule 503.

²² See Exchange Rule 503(f)(2)(vii)(B)(5).

²³ The Exchange notes that market orders will never remain on the book after the opening process concludes, as by definition these orders will always be priced through the opening price and will be filled to the extent possible and then canceled at the conclusion of the opening process.

assigns a new IRP equal to the NBBO to any such orders that remain unexecuted after the opening process is complete.

The Exchange now proposes to eliminate the establishment of a price protection limit for orders that have participated in the opening process and that remain on the Book. As proposed, orders that are received prior to the open or during a trading halt and orders from a prior trading session that remain on the Book after the opening process concludes, will be booked and managed at the order's limit price. An order that is received prior to the open or during a trading halt and that remains on the Book after the opening process concludes is not priced through the opening price and may be booked and managed at its limit price. The order's limit price serves as the most effective price protection limit as an order will never trade through its limit price on the Exchange.

During a regular trading session, an order with a price protection limit that is more aggressive than its limit price will either rest on the Book or fill to its limit price and no further. An order with a price protection limit that is less aggressive than its limit price will either rest on the Book or fill to its price protection limit, which once triggered will cancel the order, or the remaining contracts of the order, which in all cases will be before the order has a chance to trade to its limit price. As proposed, at the conclusion of each trading session, the System will cancel orders with a price protection limit that is less aggressive than the order's effective limit price. Therefore, the only orders that will remain in the System from a prior session to participate in the opening will be orders with a price protection limit that is more aggressive than the order's effective limit price. As previously discussed, limit orders with a price protection limit more aggressive than the order's effective limit price are managed to their limit price, as a limit order will never execute through its limit price, and the price protection limit is not a factor for these orders. Therefore, additional price protection is unnecessary for orders that remain on the Book

after participating in the opening process as orders on the Exchange will never trade through their limit price.

The Exchange believes that the enhancements it is proposing to its price protection process in the proposed rule change should assist market participants in making informed decisions concerning trading opportunities by clarifying the relationship between an order's limit price, price protection limit, and the operation of the Exchange's price protection process. The Exchange believes that the detailed description of this functionality belongs in the Exchange's Rules in order to inform market participants whose orders are being managed, that such orders may be canceled by the Exchange under certain circumstances, and the reasons therefore. The proposed rule change should assist market participants in making decisions concerning price limits and routing decisions. While this proposal effectively mandates usage of the price protection process, the Exchange notes that market participants will still have the ability to set price protection limits at higher thresholds should they so elect, therefore the Exchange does not view the proposal as a material or significant change.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act²⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁵ 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

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

interest. The system protections described above are designed in the interest of protecting investors and to assure fair and orderly markets on the Exchange.

Specifically, the Exchange operates an electronic marketplace in which orders are processed and executed in less than one second. Without any safeguards, orders that outsize the liquidity available at the displayed best bid or offer on the Exchange could potentially trade at prices far below the best bid and far above the best offer, creating extreme volatility in the marketplace and poor executions for investors.

The Exchange believes that the proposed rule change to enhance the price protection process of the Exchange's System will protect investors and the public interest. The Exchange believes that reducing the number of price levels at which an incoming order can execute appropriately balances the interests of investors seeking execution of their orders and the Exchange's obligations to provide a fair and orderly market. Further, the Exchange believes that defining the minimum and maximum range of MPVs available to the Members within the Rule promotes transparency and clarity in the Exchange's rules and protects investors and the public interest.

Additionally, the proposal provides the Exchange with a range of values to select from when establishing a default price protection limit, which provides greater flexibility for the Exchange to adequately tailor its default setting to market conditions. Providing default values will benefit market participants and the options market as a whole as this will ensure that all eligible orders have a minimal level of price protection. The proposal to eliminate a Member's ability to disable the price protection process will facilitate transactions in securities as Members will have greater confidence that protections are in place that reduce the risk of executions at prices that are significantly through the market. Additionally, the Exchange believes that this benefits all market participants by ensuring that all eligible orders have some level of price

protection. As a result, the enhancements to the price protection process promotes just and equitable principles of trade. While this proposal effectively mandates usage of the price protection process, the Exchange notes that market participants will still have the ability to set price protection limits at high thresholds should they so elect, therefore the Exchange does not view the proposal as a material or significant change.

The Exchange believes that its proposal to remove orders with a price protection limit less aggressive than the order's effective limit price at the conclusion of a trading session (or after a trading halt as defined in Rule 504) to be in the best interest of the investor as these orders will never fill to their effective limit price. The price protection process will cancel an order, or the remaining contracts of an order, when the price protection limit is triggered during regular trading. The Exchange believes it is in the best interest of investors for the Exchange to return an order with a price protection limit that is less aggressive than the order's effective limit price to the Member, while the market is not in regular trading, so that the Member has more time to evaluate whether to re-submit the order and/or establish a different price and/or different price protection instructions, based on the then-current market conditions. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with more time to evaluate their orders which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

The Exchange believes that the elimination of a price protection limit for orders that are received prior to the opening or during a trading halt and for orders received during a prior trading session that remain on the book following the Opening Process (other than the price protection afforded by opening price) provides transparency and clarity in the Exchange's rules. As noted above, the Exchange believes that booking and posting these orders at their limit price

provides the same level of protection as the price protection process, as an order will never trade through its limit price on the Exchange. The Exchange believes it is in the interest of investors and the public to accurately describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Transparency and clarity are consistent with the Act because it removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System.

The Exchange believes its proposal to add new Interpretations and Policies .04 protects investors and the public interest by clearly stating in the Exchange's rules the method by which the Exchange is evaluating orders for removal by the System. Further, the Exchange believes that providing the definition of effective limit price provides clarity and transparency in the Exchange's rules. Additionally, the Exchange's proposal to remove orders where the price protection limit for a buy order is lower than the order's effective limit price; and where the price protection limit for a sell order is higher than the order's effective limit price, contributes to the maintenance of a fair and orderly market by returning orders that would not fill to their effective limit price to the market participant for re-evaluation while the market is not in a regular trading state. Market participants can evaluate the current market conditions and consider re-submitting their order with a new price and/or new price protection instructions while the market is not active.

The Exchange believes this proposal will provide MIAX participants with a better understanding of the Exchange's price protection process. The description of the System's functionality is designed to promote just and equitable principles of trade by providing a clear and accurate description to all participants of how the price protection process is applied and

should assist investors in making decisions concerning their orders. Further, the Exchange believes that the price protection process provides market participants with an appropriate level of risk protection on their orders and contributes to the maintenance of a fair and orderly market.

Additionally, the Exchange notes that it has an affiliate Exchange, MIAX PEARL, LLC (“MIAX PEARL”) and that MIAX Options and MIAX PEARL have similar rules.²⁶ A substantially similar rule on MIAX PEARL became operative when the Exchange commenced operations on February 6, 2017.²⁷ Further, MIAX Options and MIAX PEARL also have a number of common Members and on each Exchange, where feasible, the Exchange intends to implement similar behavior to provide consistency between the Exchanges so as to avoid confusion among Members. Aligning similar rules on the Exchange and MIAX PEARL provides transparency and clarity in the rules and minimizes the potential for confusion, thereby protecting investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes the proposed changes will not impose any burden on intra-market competition because it applies to all MIAX participants equally. In addition, the Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing further enhancements and transparency regarding the Exchange’s price protection functionality.

²⁶ The Exchange notes that MIAX PEARL incorporates the following Chapters of the MIAX Options Rule Book by reference: Chapter III, VII, VIII, IX, XI, XIII, XIV, XV, and XVI.

²⁷ See MIAX PEARL Rule 515.

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 Act²⁸ and Rule 19b-4(f)(6)²⁹ thereunder.

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 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.

- 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-2017-12 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-2017-12. 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-2017-12 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.³⁰

Brent J. Fields
Secretary

³⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;

Deleted text is in [brackets]

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC

Rule 515. Execution of Orders and Quotes

(a) – (b) No change.

(c) Non-Market Maker Orders That Could Not Be Executed or Could Not Be Executed in Full at the Original NBBO Upon Receipt. An incoming non-Market Maker order that could not be executed or could not be executed in full at the original NBBO upon receipt will be handled in accordance with the following provisions. In addition, non-Market Maker orders that are reevaluated by the System for execution pursuant to an order's price protection instructions that could not be executed or could not be executed in full at the NBBO at the time of reevaluation will be handled in accordance with the following provisions. The following paragraphs will apply to orders both (i) upon receipt by the System, and (ii) upon reevaluation by the System for execution and according to the price protections designated on the order. The term "initiating order" will be used in the following paragraphs to refer to (i) the incoming order that could not be executed, (ii) the order reevaluated by the System for execution that could not be executed, or (iii) the remaining contracts of the incoming order or reevaluated order that could not be executed in full. The term "original NBBO" will be used in the following paragraphs to refer to the NBBO that existed at time of receipt of the initiating order or the NBBO at time of reevaluation of an order pursuant to Rule 515.

(1) **Price Protection on Non-Market Maker Orders.** The System will apply the following [system of]price protection process to all non-Market Maker orders received during a trading session. The [P]price protection process prevents an order from being executed beyond the price designated in the order's price protection instructions (the "price protection limit"). The price protection instructions are[will be] expressed in units of MPV away from the NBBO at the time of the order's receipt, or the MBBO if the ABBO is crossing the MBBO. Market participants may designate [or disable]price protection instructions on an order by order basis within a minimum and maximum number of MPVs away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO. The minimum and maximum number of MPVs will be determined by the Exchange and announced to Members through a Regulatory Circular, provided that the minimum shall be no less than zero (0) MPVs and the maximum shall be no more than twenty (20) MPVs. [The default price protection will be one MPV away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO.]If an order does not contain price protection instructions, the Exchange will assign a default price protection

instruction, which will be within one (1) to five (5) MPVs away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO, which default price protection instruction shall be determined by the Exchange and announced to Members through a Regulatory Circular. When triggered, the price protection process will cancel an order or the remaining contracts of an order. The System will not execute such orders at prices inferior to the current NBBO. The [P]price protection process set forth in this paragraph (c)(1) will not apply to orders received (A) prior to the open or during a trading halt; or (B) during a prior trading session and that remain on the Book following the opening process (as described in Rule 503). Further, the price protection process set forth in this paragraph (c)(1) will not apply to Intermarket Sweep Orders (“ISO”)[;], which will be handled in accordance with paragraph (g) below. Immediate or Cancel [orders](“IOC”) orders will be handled in accordance with paragraph (e) below, and Fill-or-Kill (“FOK”) orders will be handled in accordance with paragraph (f) below[and ISOs will be handled in accordance with paragraph (g) below]. The System will handle Market Maker quotes and orders in accordance with paragraph (d) below.

(i) – (ii) No change

(2) No change

(d) – (h) No change

Interpretations and Policies:

.01 – .03 No change

.04 Immediately following the commencement of a trading halt pursuant to Rule 504 and at the end of each trading session, the System will cancel an order which was managed under this Rule 515 where the order’s price protection limit for a buy (sell) order is lower (higher) than the order’s effective limit price. For purposes of this Rule 515, the effective limit price for: (i) a limit order will be the order’s limit price; (ii) a market order to buy will be the maximum price permitted by the Exchange’s System; and (iii) a market order to sell will be the lowest MPV as established by Rule 510 (either \$.01 for option classes quoted and traded in increments as low as \$.01, or \$.05 for option classes quoted and traded in increments as low as \$.05).
