SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80940; File No. SR-MIAX-2017-16)

June 15, 2017

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Order Approving a Proposed Rule Change Relating to the Exposure Periods of the MIAX Price Improvement Mechanism and Solicitation Mechanism

I. Introduction

On April 25, 2017, Miami International Securities Exchange LLC ("MIAX Options" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to amend MIAX Options Rule 515A to modify the exposure periods of the Exchange's Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism from 500 milliseconds to a time period designated by the Exchange of no less than 100 milliseconds and no more than 1 second. The proposed rule change was published for comment in the Federal Register on May 5, 2017.[3] The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

PRIME is a process by which a Member[4] may electronically submit for execution an order it represents as agent ("Agency Order") against principal interest, and/or an Agency Order against solicited interest.[5] When the Exchange receives a properly designated Agency Order for

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 80570 (May 1, 2017), 82 FR 21288 ("Notice").

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 See Exchange Rule 515A.

auction processing, a Request for Responses ("RFR") detailing the option, side, size, and initiating price is sent to all subscribers of the Exchange's data feeds. Currently, the RFR period lasts for 500 milliseconds, unless it is concluded early.[6] The Exchange proposes to revise the RFR response period to permit the Exchange to designate a specific time within a range of no less than 100 milliseconds and no more than 1 second.[7]

III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

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6 A PRIME and PRIME Solicitation Auction will conclude at the sooner of: (1) upon receipt of an unrelated order (in the same option as the Agency Order) on the opposite side of the market from the RFR responses, that is marketable against either the National Best Bid or Offer ("NBBO"), the initiating price, or the RFR responses; (2) upon receipt of an unrelated order (in the same option as the Agency Order) on the same side of the market as the RFR responses, that is marketable against the NBBO; (3) upon receipt of an unrelated limit order (in the same option as the Agency Order) on the opposite of the market from the Agency Order that improves any RFR response; (4) any time an RFR response matches the NBBO on the opposite side of the market from the RFR responses; (5) any time there is a quote lock in the subject option on the Exchange pursuant to Exchange Rule 1402; or (6) any time there is a trading halt in the option on the Exchange. See Exchange Rule 515A.

7 The Exchange notes that its proposal is consistent with exposure periods permitted in similar mechanisms on other options exchanges. See Notice, supra note 3, at 21288 & n.6; see also Securities Exchange Act Release Nos. 76301 (October 29, 2015), 80 FR 68347 (November 4, 2015) (SR-BX-2015-032) (establishing an exposure period for the Nasdaq BX's options price improvement mechanism ("PRISM") of no less than 100 milliseconds and no more than 1 second); 77557 (April 7, 2016), 81 FR 21935 (April 13, 2016) (SR-Phlx-2016-40) (amending the exposure period for the Nasdaq Phlx's Price Improvement XL ("PIXL") to be no less than 100 milliseconds and no more than 1 second); 79733 (January 4, 2017), 82 FR 3055 (January 10, 2017) (SR-ISE-2016-26) (amending the exposure period for the Nasdaq ISE's Price Improvement Mechanism ("PIM") to be no less than 100 milliseconds and no more than 1 second); and 80738 (May 22, 2017), 82 FR 24417 (May 26, 2017) (SR-CBOE-2017-029) (amending the exposure periods for the CBOE's Automated Improvement Mechanism ("AIM") and Solicitation Auction Mechanism ("SAM") to be no less than 100 milliseconds and no more than 1 second).

securities exchange.[8] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[9] which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Commission also finds that the proposed rule change is consistent with Section 6(b)(8) of the Act,[10] which requires that the rules of an exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Commission believes that, given the electronic nature of the PRIME and PRIME Solicitation Mechanism and the ability of Members to respond within the proposed exposure periods, modifying each of the exposure periods from 500 milliseconds to a time designated by the Exchange of no less than 100 milliseconds and no more than 1 second could facilitate the prompt execution of orders, while continuing to provide market participants with an opportunity to compete to trade with the exposed order by submitting responses to the auctions. According to the Exchange, numerous Members have the capability to and do respond within a 100 millisecond exposure period or less.[11]

To substantiate that its members can receive, process, and communicate a response back to the Exchange within 100 milliseconds, the Exchange states that it surveyed all Members that

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[8] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78f(b)(8).

[11] See Notice, supra note 3, at 21289.

responded to an auction broadcast in the period beginning November 2016 and ending January 2017 (the "review period").[12] According to the Exchange, each Member it surveyed indicated that they can receive, process, and communicate a response back to the Exchange within 100 milliseconds.[13] In addition, the Exchange states that it reviewed all responses received in PRIME and PRIME Solicitation Auctions from its Members for the review period, and its review indicated that approximately 90% of responses were submitted within 100 milliseconds.[14] Furthermore, with regard to the impact of the proposal on system capacity, the Exchange states that it has analyzed its capacity and represents that it has the necessary systems capacity to handle the potential additional traffic associated with the additional transactions that may occur with the implementation of the proposed reduction response time duration to no less than 100 milliseconds.[15] The Exchange also represents that its system will be able to sufficiently maintain an audit trail for order and trade information with the reduction in the response timer.[16]

Based on the Exchange's statements, the Commission believes that market participants should continue to have opportunities to compete to trade with the exposed order by submitting responses to the PRIME and PRIME Solicitation Mechanism within an exposure period of no less than 100 milliseconds and no more than 1 second.[17] Accordingly, for the reasons discussed above, the Commission believes that the Exchange's proposal is consistent with the Act.

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12 See id.

13 See id.

14 See id.

15 See id. at 21289-90.

16 See id. at 21290.

17 The Commission notes that the ability to designate such an exposure time period is consistent with the rules of other options exchanges. See supra note 7. See also NASDAQ Phlx Rule 1080(n)(ii)(A)(4), NASDAQ BX Options Rules Chapter VI, Section 9(ii)(A)(3), Nasdaq ISE Rule 716, Supplementary Material .04, Nasdaq ISE Rule 723(c)(1), CBOE Rule 6.74A(b)(1)(C), and CBOE Rule 6.74B(b)(1)(C).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[18] that the proposed rule change (SR-MIAX-2017-16) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Eduardo A. Aleman
Assistant Secretary

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[18] 15 U.S.C. 78s(b)(2).

[19] 17 CFR 200.30-3(a)(12).