

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-85934; File No. SR-MIAX-2019-25)

May 24, 2019

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 1801, Definitions; Rule 503, Openings on the Exchange; and Rule 1802, Designation of an Index

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 20, 2019, Miami International Securities Exchange, LLC (“MIAX Options” or the “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 1801, Definitions, Rule 503, Openings on the Exchange; and Rule 1802, Designation of an Index.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/> at MIAX Options’ principal office, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified

---

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

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

in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Exchange Rule 1801, Definitions, to adopt new definitions to provide additional detail and clarity in the Exchange’s Rules. Additionally, the Exchange proposes to amend Exchange Rule 503, to remove rule text that is being replaced in this proposal, and to make minor edits to conform the existing rule text to the definitions contained in this proposal. The Exchange also proposes to amend Exchange Rule 1802, Designation of an Index, to correct an internal cross reference which is changing under this proposal.

On October 12, 2018, the Exchange received approval from the Securities and Exchange Commission (“SEC” or “Commission”) to list and trade on the Exchange, options on the SPIKES™ Index, a new index that measures expected 30-day volatility of the SPDR S&P 500 ETF Trust (commonly known and referred to by its ticker symbol, “SPY”).<sup>3</sup> To establish the settlement value for the Index, a settlement auction, named the SPIKES Special Settlement Auction, will be conducted on the day the settlement value for the Index is to be calculated. The Index settlement price calculation includes all SPY options that expire 30 days after the SPIKES settlement. In the Exchange’s filing these options are referred to as the “constituent options”.<sup>4</sup> The Exchange now proposes to amend Exchange Rule 1801 to adopt a definition for “constituent

---

<sup>3</sup> See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (SR-MIAX-2018-14) (Order Granting Approval of a Proposed Rule Change by Miami International Securities Exchange, LLC to List and Trade on the Exchange Options on the SPIKES™ Index).

<sup>4</sup> Id.

option series” to include all option series listed on the Exchange that are used to calculate the exercise or final settlement value, as applicable, of expiring volatility index derivatives. The Exchange believes adopting a definition for constituent option series improves the clarity and precision of the Exchange’s rulebook.

In the SPIKES Special Settlement Auction, in addition to any order types that may be regularly accepted by the Exchange, the Exchange will also accept settlement auction only orders (“SAO Orders”) and settlement auction only eQuotes (“SAO eQuotes”) (SAO Orders and SAO eQuotes are collectively referred to as “SAOs”) at any time after the opening of the Live Order Window (“LOW”)<sup>5</sup> and the Live Quote Window (“LQW”),<sup>6</sup> respectively. SAOs are specific order types that allow a Member<sup>7</sup> to voluntarily tag such order as a SPIKES strategy order, defined below. In general, even if not tagged, the Exchange will consider orders to be SPIKES strategy orders if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price. They may also be for put and call options with “at-the-money” strike prices.

---

<sup>5</sup> The Exchange notes that the current Live Order Window opens at 7:30 A.M.

<sup>6</sup> The Exchange notes that the current Live Quote Window setting opens at 9:25 A.M., however the Exchange plans to open the Live Quote Window for the SPIKES Special Settlement Auction at 8:30 A.M.

<sup>7</sup> 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.

The Exchange now proposes to amend Rule 1801 to adopt a definition of a “Strategy Order” which provides that the Exchange deems individual orders (considered collectively) a market participant submits for participation in the modified opening procedure, as described in Interpretation and Policy .03 of Rule 503, to be a “strategy order,” based on related facts and circumstances considered by the Exchange, only if the orders: (1) relate to the market participant’s positions in expiring volatility index derivatives; (2) are for option series with the expiration that the Exchange will use to calculate the exercise or final settlement value, as applicable, of the applicable volatility index derivative; (3) are for option series with strike prices approximating the range of series that are later determined to constitute the constituent option series for the applicable expiration; (4) are for put (call) options with strike prices equal to or less (greater) than the “at-the-money” strike price; and (5) have quantities approximating the weighting formula used to determine the exercise or final settlement value, as applicable, in accordance with the applicable volatility index methodology. The Exchange notes that the characteristics identified in subparagraphs (1) – (4) currently exist in Exchange Rule 503. The fifth characteristic enumerated in subparagraph (5) is not listed in the current rule as a requirement for orders to be deemed strategy orders. However, the Exchange believes adopting this provision will help in determining whether orders are strategy orders. The Exchange notes that the proposed five provisions to be adopted under this proposal are identical to the five provisions used for identifying strategy orders found in Cboe Exchange Rule 6.2.<sup>8</sup>

The Exchange also proposes to amend Rule 1801 to adopt a definition for a non-strategy order as any order (including an order in a constituent option series) a market participant submits

---

<sup>8</sup> See Cboe Exchange Rule 6.2, Interpretation and Policy .01.

for participation in the modified opening procedure, as described in Interpretation and Policy .03 of Rule 503, that is not a strategy order (or a change to or cancellation of a strategy order).

Additionally, the Exchange proposes to make a number of non-substantive changes to Rule 1801 to renumber existing definitions to allow the Exchange to insert the proposed definitions, “constituent option series,” “non-strategy order,” and “strategy order,” into the proper alphabetically ordered position among currently existing definitions.

The Exchange believes the proposed definitions provide market participants with more clarity with respect to what constitutes a strategy order and a non-strategy order. The Exchange believes this added clarity may increase liquidity on volatility index settlement dates, as it provides more certainty with respect to which orders may be submitted prior to the strategy cut-off time and which orders may be submitted after that time.

Further, the Exchange proposes to amend paragraph (c)(2) of Interpretation and Policy .03 of Exchange Rule 503 to remove the text that states, “[i]n general, the Exchange will consider orders to be SPIKES strategy orders for purposes of this Interpretation and Policy .03, if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the ‘at-the-money’ strike price and for call options with strike prices greater than the ‘at-the-money’ strike price. They may also be for put and call options with ‘at-the-money’ strike prices.” This text is being updated by the definition for a strategy order contained in this proposal.

Finally, the Exchange proposes to amend paragraph (b), (c), subparagraph (c)(1) and (c)(2), paragraph (d), paragraph (e), subparagraph (e)(1) and subparagraph (e)(2) of Interpretation and Policy .03 of Rule 503, to replace “SPIKES strategy order” with the term “strategy order” and to replace “SPIKES non-strategy order” with the term “non-strategy order,” as defined in this proposal. The Exchange also proposes to include an internal cross reference to the location of each definition in the Exchange’s rulebook. Additionally, the Exchange proposes to correct an internal cross reference in Rule 1802(d)(1) from subparagraph (k) to new proposed subparagraph (l).

The Exchange believes that these changes will add clarity and precision to the Exchange’s rulebook.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes the proposed definition of a strategy order provides market participants with additional clarity regarding what orders constitute strategy orders and the Exchange believes this added clarity benefits investors and promotes just and equitable principles of trade. The proposed rule change with respect to the definition of strategy orders

---

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

and enumerating the characteristics of a strategy orders as defined in subparagraphs (1) – (4) is consistent with the current definition of SPIKES strategy orders and the Exchange’s view of what orders constitute a strategy order, as well as the legitimate purposes of strategy orders, as orders submitted that satisfy the purposes of a strategy order generally possess the characteristics identified in the rule, but also provides additional clarity and specificity than the current definition. Additionally, the Exchange’s proposal to adopt a fifth characteristic of a strategy order with respect to the definition of strategy orders as enumerated in subparagraph (5) of the proposed rule provides additional detail and clarity in the Exchange’s rule as it pertains to strategy orders. Further, these five characteristics are identical to those defined by the Cboe Exchange in their Rule 6.2.<sup>11</sup>

Additionally, the proposed definition of non-strategy orders provides market participants with additional clarity regarding orders that do not constitute strategy orders (and thus may be submitted after the strategy-order cut-off time and prior to the non-strategy order cut-off time). The Exchange believes this additional clarity with respect to what is and is not a strategy order will provide market participants with more certainty with respect to which orders constitute strategy orders, and thus which orders need to be submitted prior to the strategy order cut-off time. It also clarifies for market participants the activity in which they may engage after the strategy cut-off time.

Further, the proposed definition of a constituent option series provides additional clarity and precision in the Exchange’s rules regarding what series are considered constituent option series for purposes of calculating the final settlement value. The Exchange believes this added clarity benefits investors and promotes just and equitable principles of trade.

---

<sup>11</sup> See supra note 8.

Finally, the Exchange believes replacing the terms “SPIKES strategy order,” and “SPIKES non-strategy order,” with the definitions for strategy order and non-strategy order proposed herein, protects investors and the public interest, by providing clarity in the Exchange’s rules which reduces the chance for confusion.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change applies in the same manner to all market participants who submit orders to the Exchange in constituent option series on index settlement value determination days. The proposed rule change, and the proposed definition of a strategy order in particular, provides market participants with clarity with respect to what constitutes a strategy order and is consistent with the current rules and the Exchange’s view of what orders constitute strategy orders.

The proposed rule change has no impact on intermarket competition as it applies to orders submitted for participation in the Exchange’s Special Settlement Process used to calculate settlement values for expiring volatility index derivatives. The Exchange believes that the proposed rule change provides market participants with more certainty with respect to which orders need to be submitted prior to the strategy order cut-off time and which orders may be submitted after that time, which may increase liquidity in constituent option series on volatility settlement dates.

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 Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> 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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or

---

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 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.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2019-25 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-MIAX-2019-25. 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 website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-MIAX-2019-25 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Eduardo A. Aleman  
Deputy Secretary

---

<sup>14</sup> 17 CFR 200.30-3(a)(12).