

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73850 ; File No. SR-MIAX-2014-63)

December 16, 2014

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Amend Its Fee Schedule

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 December 10, 2014, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange.³ 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 its Fee Schedule.

The text of the proposed rule change is available on the Exchange’s website at http://www.miaxoptions.com/filter/wotitle/rule_filing, at MIAX’s principal office, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ MIAX initially filed a similar proposal for only SPY options on November 25, 2014, and indicated in its filing that it would implement the new fee on December 1, 2014. See File No. MIAX-2014-60. On December 10, 2014, MIAX withdrew that filing and submitted this filing.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend its Fee Schedule to: (i) adopt a transaction fee for options overlying EEM, GLD, IWM, QQQ, and SPY executed by non-MIAX Market Makers; and (ii) provide an additional incentive for achieving certain Priority Customer Rebate Program volume tiers.

The Exchange proposes to adopt a \$0.55 per contract transaction fee for non-MIAX Market Makers for options overlying EEM, GLD, IWM, QQQ, and SPY. The Exchange notes that the transaction fees for non-MIAX Market Makers in all other options classes will not change and thus will continue to be charged the same amount for non-Penny Pilot options classes and Penny Pilot options classes as they do today.

The Exchange proposes to offer non-MIAX Market Makers the opportunity to reduce transaction fees by \$0.02 per contract in standard options in EEM, GLD, IWM, QQQ, and SPY in the same manner as Penny Pilot options classes and non-Penny Pilot options classes.⁴ Specifically, any Member or its affiliates of at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A, that qualifies for Priority Customer Rebate Program volume tiers 3, 4, or 5 and is a non-MIAX Market Maker will be assessed \$0.53 per contract for standard options in EEM, GLD, IWM, QQQ, and SPY. The Exchange believes that

⁴ See MIAX Options Fee Schedule, Section 1)a)ii).

these incentives will encourage non-MIAX Market Makers to transact a greater number of orders on the Exchange.

The purpose of the proposed fee change is to increase the transaction fee for non-MIAX Market Makers in EEM, GLD, IWM, QQQ, and SPY⁵ so that the transaction fees for Market Makers in EEM, GLD, IWM, QQQ, and SPY⁶ remain lower as compared to non-MIAX Market Makers.⁷ For example, assume both member and non-member market makers execute against a Priority Customer order in SPY posted on the Exchange's book and executes enough monthly transaction volume to qualify for tier 1 of the Market Maker sliding scale: MIAX-MM1 fees = \$0.54 [(0.17 transaction fee) + (0.25 marketing fee) + (0.12 posted liquidity marketing fee)] and Away-MM2 fees = \$0.55. Absent this proposal, Away-MM2 would be assessed \$0.47 per contract which would be less than the \$0.54 per contract of MIAX-MM1. The Exchange notes that maintaining this fee differential encourages market participants to become members and register as Market Makers versus otherwise sending orders to the Exchange as a non-MIAX Market Maker in order to avoid a higher transaction fee.

At this time, the Exchange does not propose a change in the corresponding fees for mini options. Mini options are not traded in significant volume across the industry and, as such, MIAX does not seek to incentivize order routers to send such orders to MIAX by extending the new marketing fee to posted Priority Customer orders in mini options on SPY and GLD.⁸ Thus,

⁵ The Commission notes that the symbols MIAX lists in this sentence refer to the respective overlying options class.

⁶ Id.

⁷ The Exchange notes that in a companion filing, the Exchange recently filed to add an additional marketing fee of \$0.12 per contract for Priority Customers in EEM, GLD, IWM, QQQ, and SPY options posted on the Exchange's Book. See MIAX-2014-62.

⁸ The Exchange notes that mini options are currently listed on SPY, AAPL, GLD, GOOGL, and AMZN. If the Exchange were to extend the new Marketing Fee to mini

the Exchange believes it is unnecessary to increase the non-MIAX Market Maker transaction fee in mini options since there is no corresponding change in the marketing fees in mini options to compensate for.

2. Statutory Basis

The Exchange believes that its proposal to amend its fee schedule is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(4) of the Act¹⁰ in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

The Exchange's proposed transaction fees for non-MIAX Market Makers in EEM, GLD, IWM, QQQ, and SPY¹¹ are reasonable in order for the net transaction fee for non-MIAX Market Makers to remain higher than Market Makers in a manner that is designed to encourage market participants to become members and register as Market Makers versus otherwise sending orders to the Exchange as a non-MIAX Market Maker in order to avoid a higher transaction fee. The Exchange's proposal to increase the transaction fees for non-MIAX Market Makers in options overlying EEM, GLD, IWM, QQQ, and SPY is equitable and not unfairly discriminatory because the increase applies equally to all non-MIAX Market Makers. In addition, maintaining a higher transaction fee for non-MIAX Market Makers versus Market Markers is equitable and not unfairly discriminatory because Market Markers on the Exchange have enhanced quoting

options, since there are no mini options on EEM, IWM, and QQQ, the Exchange would not be able to assess an additional marketing fee for mini options in such symbols, but instead would be limited to assessing the additional fee on SPY and GLD. See SR-MIAX-2014-62.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4).

¹¹ The Commission notes that the symbols MIAX lists in this sentence refer to the respective overlying options class.

obligations measured in both quantity (% time) and quality (minimum bid-ask differentials) that other market participants do not have.¹² In addition, charging non-members higher transaction fees is a common practice amongst exchanges because Members are subject to other fees and dues associated with their membership to the Exchange that do not apply to non-members. The proposed differentiation as between non-MIAX Market Makers, Market Makers, and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. Maintaining a lower transaction fee for Market Makers should incent market participants and market makers on other exchanges to register as Market Makers on the Exchange, which will enhance the quality of quoting and increase the volume of contracts traded in options listed on MIAX. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the increase in Market Maker activity on the Exchange will benefit all market participants and improve competition on the Exchange.

The Exchange's proposal to offer non-MIAX Market Makers the opportunity to reduce transaction fees by \$0.02 per contract in standard options in EEM, GLD, IWM, QQQ, and SPY in the same manner as Penny Pilot options classes and non-Penny Pilot options classes, provided certain criteria are met, is reasonable because the Exchange desires to offer all such market participants an opportunity to lower their transaction fees. The Exchange's proposal to offer non-MIAX Market Makers the opportunity to reduce transaction fees by \$0.02 per contract in standard options in EEM, GLD, IWM, QQQ, and SPY, provided certain criteria are met, is equitable and not unfairly discriminatory because the Exchange will offer all non-MIAX Market

¹² See MIAX Rules 603, 604, 605.

Makers in EEM, GLD, IWM, QQQ, and SPY¹³ a means to reduce transaction fees by qualifying for volume tiers in the Priority Customer Rebate Program. The Exchange believes that offering non-MIAX Market Makers that transaction [sic] in EEM, GLD, IWM, QQQ, and SPY¹⁴ the same opportunity as non-MIAX Maker Makers in other options classes, to lower transaction fees by incentivizing them to transact Priority Customer order flow, in turn benefits all market participants.

The Exchange believes that establishing different pricing for EEM, GLD, IWM, QQQ, and SPY options and Penny Pilot options is reasonable, equitable, and not unfairly discriminatory because EEM, GLD, IWM, and SPY options are more liquid options as compared to other Penny Pilot options and the Exchange wants to incentivize to encourage market participants to become members and register as Market Makers versus otherwise sending orders to the Exchange as a non-MIAX Market Maker in order to avoid a higher transaction fee in these high volume symbols. Finally, the Exchange believes that the proposal to assess a higher transaction fee for standard transactions and not mini options is reasonable because of the lack of significant volume and limited demand in the industry to trade mini options and also because there is no corresponding change in the marketing fees in mini options in these symbols to compensate for.

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 not necessary or appropriate in furtherance of the purposes of the Act. The proposal is designed to maintain Market Maker transaction fees in EEM, GLD, IWM, QQQ, and SPY¹⁵

¹³ The Commission notes that the symbols MIAX lists in this sentence refer to the respective overlying options class.

¹⁴ Id.

¹⁵ Id.

that are lower than non-MIAX Market Makers. To the extent that there is additional competitive burden on non-MIAX Market Makers, the Exchange believes that this is appropriate because charging non-members higher transaction fees is a common practice amongst exchanges and Members are subject to other fees and dues associated with their membership to the Exchange that do not apply to non-members. The proposed differentiation as between non-MIAX Market Makers, Market Makers, and other market participants recognizes the differing contributions made to the liquidity and trading environment on the Exchange by these market participants. Maintaining a lower transaction fee for Market Makers should incent market participants and market makers on other exchanges to register as Market Makers on the Exchange, which will enhance the quality of quoting and increase the volume of contracts traded in options listed on MIAX. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow. The Exchange believes that the proposal reflects this competitive environment.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹⁶ 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2014-63 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-MIAX-2014-63. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all

¹⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

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 such 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-2014-63 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O'Neill
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).