



Barbara J. Comly  
General Counsel

7 Roszel Road  
Fifth Floor, Suite 5-A  
Princeton, New Jersey 08540  
T 609 897 7300  
F 609 987 2210  
bcomly@miami-holdings.com

November 30, 2012

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: File No. 10-207**

Dear Ms. Murphy:

Miami International Securities Exchange, LLC (“MIAX” or the “Exchange”) appreciates the opportunity to respond to the comments submitted to the U.S. Securities and Exchange Commission (“SEC” or “Commission”) by the International Securities Exchange (“ISE”)<sup>1</sup> and The NASDAQ OMX Group, Inc. (“NASDAQ OMX”)<sup>2</sup> - exchanges which will be competitors of MIAX upon commencement of its operations. The comments set forth in the ISE Letter and the NASDAQ OMX Letter (together, the “Comment Letters”) relate to the Form 1 Application (the “Application”)<sup>3</sup> filed by MIAX for registration as a national securities exchange under Section 6 of the Securities Exchange Act of 1934 (the “Act”). On November 29, 2012, MIAX filed Amendment No. 1 to the Form 1 (“Amendment No. 1”). In Amendment No. 1 MIAX revised and clarified the operation of certain proposed rules as well as certain other exhibits to the Application.<sup>4</sup> As the commenters have in the Comment Letters requested a number of clarifications of the proposed rules of MIAX and all of such rules have been clarified in Amendment No. 1 and the amended Application meets the requirements of the Act, we urge the Commission to approve the Application.

The following is a discussion of the principal comments raised in the Comment Letters with respect to the proposed rules of MIAX and the Application, and the response of MIAX to the same.

**I. General**

First, ISE notes that because a Form 1 Application for registration as a national securities exchange is not filed pursuant to Section 19(b) of the Act and Rule 19b-4 thereunder, the Application

does not contain the same level of detailed description of the purpose of the proposed rules nor a discussion of how such rules are consistent with the requirements of the Act. ISE states that while it does not believe such detail is necessary with respect to all aspects of the Application, particularly those that are common among existing exchanges, the ISE requests that certain unique aspects of the proposed rules be clarified.<sup>5</sup> NASDAQ OMX similarly requested clarification of certain proposed rules of the Exchange.<sup>6</sup>

MIAX agrees with ISE that the MIAX Form 1 Application does not, and is not required to, contain the same level of detailed description required under Section 19(b) and Rule 19b-4 of the Act. Moreover, MIAX does not believe that there are unique aspects of its proposed rules. Nevertheless, MIAX shares the same spirit of greater transparency as expressed by both ISE and NASDAQ OMX. To promote such clarity and transparency, in Amendment No. 1 MIAX has revised certain of its proposed rules and exhibits to add further detail where MIAX believes such detail will be beneficial.<sup>7</sup> These revisions and clarifications are described in detail below.

In particular, ISE requested a full discussion of proposed Rule 514 regarding priority of quotes and orders and Rule 515 regarding the processing of orders and quotes. ISE claimed there are aspects of these rules that may raise new issues not previously addressed by the Commission.<sup>8</sup> NASDAQ OMX also requested further description of the priority provisions of Rule 514 and questioned whether the operation of the various priority overlays, when read in conjunction with the execution process of Rule 515 result in the ability for directing or internalizing orders in a new way.<sup>9</sup> NASDAQ OMX also commented that the interplay between the market turner priority overlay, non-displayed penny orders and the liquidity refresh pause seems unique.<sup>10</sup>

MIAX does not believe that there are aspects of Rule 514 or Rule 515 that raise new issues not previously addressed by the Commission. Nevertheless, in Amendment No. 1 MIAX has revised Rule 514 and Exhibit E to the Application in order to clarify the operation of the proposed rules relating to the priority of quotes and orders. In addition, MIAX has revised Rule 515 and Exhibit E to the Application in order to clarify the processing of orders and quotes. These revisions and clarifications to Rules 514 and 515 are described in detail below. Additional revisions to certain rules and Exhibit E to the Application have also been made by MIAX in some cases in response to issues raised by the commenters, as described further below.

As discussed below, as set forth in the Application and as revised and clarified in Amendment No. 1, MIAX Rule 514 (Priority of Quotes and Orders) and Rule 515 (Execution of Orders and Quotes) and the additional revised proposed rules of MIAX, operate in a manner similar to rules at existing exchanges. MIAX believes that the clarifications made to the rules in Amendment No. 1 make clear that the operation of the priority overlays set forth in Rule 514, when read in conjunction with the execution process of Rule 515, do not result in the ability for directing or internalizing orders in a way not previously approved by the Commission.

Finally, MIAX does not believe that there is any unique aspect to the operation of the market turner priority overlay, the liquidity refresh pause or the rules related to non-displayed penny orders on the Exchange or the overall functionality of these features when used in combination on the Exchange.<sup>11</sup>

## **II. Display of Orders and Quotations**

### **A. Exhibit E to the Application**

1. Comments. ISE stated that in the section entitled "Display of Orders and Quotations" in Exhibit E to the Application, MIAX failed to describe all of the instances in which orders and quotes submitted to the Exchange will not be displayed or not displayed at prices specified by the Member.<sup>12</sup>

### **2. General Description of Orders and Quotes Displayed at One Price and Executable at Another Price**

(a) Non-Displayed Penny Orders and Quotes. Under Rule 516(b)(3), a non-displayed penny order is a limit order that specifies a one-cent price increment for an option contract that has a Minimum Price Variation larger than one cent. Non-displayed penny orders, for classes designated by the Exchange as available for non-displayed penny orders are executable at the one cent increment but are displayed at the Minimum Price Variation for the option (i.e., at the closest Minimum Price Variation that does not violate the limit price). Quotes entered for options designated by the Exchange as available for non-displayed penny orders, can be entered in one-cent increments and will be displayed at the Minimum Price Variation for the option (i.e., at the closest Minimum Price Variation that does not violate the limit price). The Exchange shall designate which qualifying option classes shall be eligible for non-displayed penny orders through the issuance of a Regulatory Circular. Notwithstanding the foregoing, Rule 516(b)(3) provides that limit orders that specify a one cent increment in an option contract eligible for a Minimum Price Variation pursuant to Rule 510, Interpretations and Policies .01 (i.e., the penny pilot program) that is one cent will be displayed at its limit price in accordance with that program or if the limit price would lock or cross the NBBO, will be handled in accordance with the managed interest process described in Rule 515 (c)(2). There are no "non-displayed" penny orders or quotes in an option contract that has a one-cent Minimum Price Variation pursuant to Rule 510, Interpretations and Policies .01 (i.e., the penny pilot program).

(b) Non-Market Maker Orders that Lock or Cross the Opposite Side NBBO. Under Rule 515(c), the handling by the trading System of certain non-market maker orders that lock or cross the opposite side NBBO can result in the display of orders at one price and the execution at another price. In those situations where the execution price differs from the displayed price, the execution price will always provide price improvement over the price displayed to the incoming order. The managed interest process for orders of Rule 515(c) provides for the display of such orders one Minimum Price Variation away from the current opposite side NBBO and provides for the booking of the order at a price that will lock the current opposite side NBBO, pursuant to Rule 515(c).

(c) Market Makers Orders and Quotes that Lock or Cross the Opposite Side ABBO. Under Rule 515(d) the handling by the trading System of certain Market Maker orders and quotes that lock or cross the opposite side ABBO can result in the display of orders and quotes at one price and the execution at another price. Rule 515(d) provides for the display of such Market Maker orders and quotes one Minimum Price Variation away from the current opposite side NBBO and

provides for the booking of the Market Maker order or quote at a price that will lock the current opposite side NBBO.

3. Exhibit E Revisions. MIAX has revised Exhibit E to the Application to note when orders and quotes will not be displayed and to differentiate when orders and quotes are displayed at one price and executable at another price.<sup>13</sup> Exhibit E states that all orders and quotes submitted to the Exchange will be displayed unless (i) the order is a contingent order (such as immediate or cancel orders or auction or cancel orders); or (ii) the quote is a certain type of eQuote (such as an auction or cancel eQuote or an immediate or cancel eQuote). Exhibit E further states that non-displayed orders and quotes will not be displayed to any market participants.

Exhibit E now separately provides that certain orders and quotes available on the Exchange will be displayed at one price and executable at another price in three instances: (a) non-displayed penny orders and quotes, (b) non-Market Maker orders that lock or cross the opposite side National Best Bid or Offer ("NBBO") that are handled by the System, and (c) Market Maker orders and quotes that lock or cross the opposite side NBBO that are handled by the System. Exhibit E further provides that based on Exchange System functionality, a locked or crossed market will not be displayed by the Exchange with respect to orders or quotes to buy and orders or quotes to sell submitted to the Exchange unless allowed pursuant to Exchange Rules or a national market system plan governing locked and crossed markets.

The rules related to these orders and quotes are further discussed below.

**B. Rules 515 (Execution of Orders and Quotes), 516 (Order Types Defined) & 529 (Order Routing to Other Exchanges)**

1. Comments. The commenters asked for clarification on the operation of certain aspects of Rule 515 (Execution of Orders and Quotes), Rule 516 (Order Types Defined) and Rule 529 (Order Routing to Other Exchanges).

2. Rule 515

(a) General Description of Rule 515.

(i) General. Rule 515 details how the MIAX trading System handles incoming orders and quotes that are executable against orders and quotes in the System including incoming orders and quotes that could not be executed upon receipt by the System or could not be executed in full. How the MIAX trading System handles the execution, routing, displaying, booking and/or cancelling of an order through the various scenarios is detailed in Rule 515 which has been revised and clarified as described herein.

Rule 515(a) provides that the Exchange's System will execute incoming orders or quotes against orders and quotes in the System, provided such incoming orders and quotes will not be executed at prices inferior to the NBBO. When an incoming order is not executable or cannot be fully executed, the System will handle the order by (i) posting the order or quote at its limit price; (ii) routing it to an away market; (iii) executing or cancelling the order in accordance with the price

protection processes; and/or (iv) managing it in accordance with the managed interest process, each as described below.

(ii) Price Protection Process for Non-Market Maker Orders. Pursuant to Rule 515(c)(1), the Exchange provides a price protection process for non-Market Maker market orders and limit orders, which cross the NBBO upon receipt, and could not be executed or executed in full at the original NBBO upon receipt. Such orders may receive additional executions at only one Minimum Price Variation worse than the NBBO, provided the execution does not trade through the current NBBO.

Pursuant to Rule 515(c)(1)(iii)(A), the Exchange provides a liquidity refresh pause as part of its price protection processes (the "Liquidity Refresh Pause"), which includes the broadcasting of a liquidity refresh message.<sup>14</sup> The Liquidity Refresh Pause will be implemented only when a Market Maker's best bid or offer was at the NBBO, MIAX was the only market at the NBBO, an execution has occurred that exhausted the Exchange's bid or offer, and there are contracts remaining to be executed. The purpose of the Liquidity Refresh Pause, which will not exceed one second, is to give Market Makers the ability to refresh and potentially improve their quotations by allowing them to submit quotes or orders and other market participants the ability to submit orders at any price level. If, during the Liquidity Refresh Pause, the Exchange receives a new order or quote on the opposite of the market from the incoming order's remaining contracts, which locks or crosses the original NBBO price, the System will immediately execute the remaining contracts at the original NBBO price provided it does not trade through the current NBBO. Once the Liquidity Refresh Pause has ended the Exchange will execute any remaining contracts as appropriate.

(iii) Managed Interest Process for Non-Market Maker Orders. After one or more of the price protection steps of Rule 515(c)(1) are taken, if the order still could not be executed or not be executed in full on the Exchange and after the order has been routed, if the order is eligible for routing as set forth in Rule 529 (Order Routing to Other Exchanges), the managed interest process set forth in section (c)(2) of Rule 515 (the "Managed Interest Process") describes the continued handling of the order through full execution or cancellation.<sup>15</sup> The Managed Interest Process applies to orders not routable (such as an order marked "Do Not Route") that would either lock or cross the NBBO, certain orders with remaining unexecuted contracts after having been routed, certain orders having been exposed to the Liquidity Refresh Pause, and certain orders with remaining unexecuted contracts having executed against the NBBO when MIAX alone represented the NBBO. Managed orders will be displayed at one Minimum Price Variation away from the current opposite side NBBO to avoid a lock or cross, but will be available for execution on the MIAX Book at a price equal to the opposite side NBBO. The Managed Interest Process will take into account any changes to the NBBO. If the NBBO changes to an inferior price, the managed order's displayed price will continuously re-price to one Minimum Price Variation away from the opposite side of the new NBBO and the price at which the managed order is available for execution on the MIAX Book will continuously re-price to be equal to the opposite side of the new NBBO. Such re-pricing will continue until the managed order reaches its limit price, is fully executed, or is cancelled. Any incoming order or quote executable against a managed order will be executed at the price at which the managed order is "resting" on the MIAX Book, provided that the execution price does not violate the current NBBO.

(iv) Handling of Market Maker Orders and Quotes. Pursuant to Rule 515(d) Market Maker orders and quotes are handled by the System when the Market Maker order or quote could not be executed or could not be executed in full and the displayed price would lock or cross the ABBO.<sup>16</sup> The System will display the order or quote one Minimum Price Variation away from the current opposite side NBBO to avoid a lock or cross, but the order or quote will be available for execution on the MIAX Book at a price equal to the opposite side NBBO. The trading System will take into account any changes to the NBBO. If the NBBO changes to an inferior price, the Market Maker's displayed price will continuously re-price to one Minimum Price Variation away from the opposite side of the new NBBO and the price at which the Market Maker's order or quote is available for execution on the MIAX Book will continuously re-price to be equal to the opposite side of the new NBBO. Such re-pricing will continue until the Market Maker's order or quote reaches its limit price, is fully executed, or is cancelled. Any incoming order or quote executable against a Market Maker's order or quote will be executed at the price at which the Market Maker's order or quote is "resting" on the MIAX Book, provided that the execution price does not violate the current NBBO.

(b) Changes to Rule 515. In response to the specific comments and to provide further detail Rule 515 was revised to clarify the operation of this Rule,<sup>17</sup> including the following:

- That managed interest orders are continuously repriced if the NBBO changes to an inferior price;<sup>18</sup>
- That non-routable orders are continuously repriced if the NBBO changes to an inferior price;<sup>19</sup>
- The execution price of a resting order that has a non-displayed execution price;<sup>20</sup>
- The repricing of the non-displayed portion of certain orders;<sup>21</sup>
- The repricing of market maker quotes and orders;<sup>22</sup> and
- The handling of orders where an inbound order cannot satisfy the posted order.<sup>23</sup>

3. General Description of Rule 516. Rule 516 defines the order types available on the Exchange, including non-displayed penny orders and Do Not Route orders. Rule 516 provides that upon initiation of operations, the Exchange will advise its Members through a Regulatory Circular of the types of orders, from among the types of orders set forth in Rule 516, available for use on the Exchange. Rule 516 provides that the Exchange will update the Members, again through a Regulatory Circular, as additional order types, from among the types of orders set forth in the Exchange Rules, become available. The following are some of the order types described in Rule 516 that will initially be or will later become available for use on the Exchange: market orders, limit orders, fill-or-kill orders, immediate-or-cancel orders, non-displayed penny orders, auction or cancel orders, WAIT orders, attributable orders, intermarket sweep orders, do not route orders, opening orders, customer cross orders, qualified contingent cross orders, day limit orders and good 'til cancelled orders. Each of these types of orders is described in detail in Rule 516.

4. General Description of Rule 529. MIAX intends to become a participant in the Options Order Protection and Locked/Crossed Market Plan ("Plan"). In accordance with the Plan, Rule 529 provides that MIAX will provide price protection in options by routing intermarket sweep orders to other options exchanges. Intermarket sweep orders may be routed to another options exchange when trading interest is not available on MIAX or is of insufficient size, or when MIAX is not at the NBBO consistent with the Plan. Orders with certain contingencies and orders designated as Do Not Route or "DNR" can only be executed on MIAX. Orders that are routable may either be eligible for immediate routing, provided the criteria for immediate routing are met, or be subject to a route timer. Immediate routing pursuant to Rule 529(b)(1) is available for Public Customer orders as follows: (i) if the NBBO was crossed upon receipt of the Public Customer order, or (ii) in situations when the NBBO was not crossed, the Public Customer order meets certain criteria. The criteria relates to the Public Customer order's limit price (it crosses the opposite side NBBO), the MIAX disseminated price, the size of the order, and the size of displayed away market.

As indicated above, Public Customer orders not eligible for immediate routing will be subject to a route timer. The route timer set forth in Rule 529(b)(2) allows Market Makers and other market participants an opportunity to interact with an order before it is routed to another options exchange. At the start of the route timer, the System will broadcast a Route Notification message to subscribers of its market data feeds providing details about the order to be routed. During the timer, which will not exceed one second (the duration of the timer will be announced to Members through a Regulatory Circular), Market Makers and other market participants may submit certain order and quote types at any price level. If, during the Route Timer, the Exchange receives a new order or quote on the opposite side of the market from the initiating order that can be executed, the System will immediately execute the remaining contracts. If at any point during the Route Timer the initiating order and all interest at the same price on the same side of the market is either traded in full or cancelled in full, or a change in the NBBO would allow the initiating order to trade on the Exchange at the revised NBBO, the Route Timer will be terminated and normal trading will resume. At the end of the route timer any contracts that could not be executed and are marketable at the NBBO on another exchange will be marked as an intermarket sweep order and routed to the appropriate away market. The Exchange will route intermarket sweep orders to the other options exchanges through unaffiliated broker-dealers. The Exchange will determine the logic that provides when, how and where intermarket sweep orders are routed away to other options exchanges. The routing broker-dealers will receive instructions from MIAX to route intermarket sweep orders to the other options exchanges and report the executions back to MIAX.

5. Revisions to Rules 516 and 529. In response to comments requesting clarification of certain provisions of Rules 516 and 529 and to provide further details, the following rules were revised:

- Rules 516(g) (Do Not Route Orders) and 529(b)(2) (Route Timer) were revised as to the non-displayed execution price of orders under these rules and to clarify that such orders will not be executed at a price that would trade-through the NBBO.<sup>24</sup>
- Rule 516(b)(3) (Non-Displayed Penny Orders) was revised to describe what happens to a non-displayed penny order entered in an option not eligible on MIAX for non-displayed penny orders.<sup>25</sup>

- Rule 516(e) (previously Rule 516(d)) (Attributable Orders) was revised to clarify that Attributable Orders will be available for all Exchange Systems.
- The reference to the "away best bid/offer" in Rule 516(g) (previously Rule 516(f) (Do Not Route Orders)) has been eliminated in that the specifics of handling of a Do Not Route Order is no longer in Rule 516(g) but rather in Rule 515(c)(2). There is no reference to the "away best bid/offer" in Rule 515(c)(2).
- Subsection (g) (Do Not Route Order) of Rule 516 (Order Types Defined) was revised to reflect that a Do Not Route order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price, but if the best away market remains, the Do Not Route order will be handled in accordance with the managed interest process described in Rule 515(c)(2).<sup>26</sup>

6. Other Requested Explanations and Clarifications. NASDAQ OMX asked for an explanation of how Do Not Route orders operate in the event there are contemporaneous locks in the U.S. Options market.<sup>27</sup> In such cases the Do Not Route Orders operate as set forth in Rule 516(g) (Do Not Route Order) as MIAX does not differentiate between contemporaneous locks and non-contemporaneous locks. Under Rule 516(g), a Do Not Route Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will be handled in accordance with the managed interest process described in Rule 515(c)(2).

ISE asked for clarification with respect to the use of the term NBBO in Rule 515 and the use of the term ABBO in Rule 529.<sup>28</sup> It should be noted that each of these terms is defined in Rule 100. The ABBO is a subset of the NBBO. The NBBO is the combined best bid and best offer from both the ABBO (all markets excluding MIAX) and the MBBO. There are times (i.e. upon order receipt) when the proper evaluation is done using the NBBO price. There are other times (i.e. when incoming interest has exhausted the MBBO) when the evaluation requires use of the ABBO. MIAX believes that the use of the terms NBBO, ABBO and MBBO in Rule 515 and Rule 529 is accurate.

ISE also noted that proposed Rule 520 (Limitation on Orders), which contains requirements for exposing orders before they are internalized, addresses hidden penny orders (Interpretations and Policies .03), but not the hidden prices that will result from the provisions of Rule 515(c) and (d) and the display of Do Not Route orders.<sup>29</sup> Rule 520 has been revised by the addition of Interpretations and Policies .04 to provide that orders subject to the managed interest process described in Rule 515(c)(2) and Market Maker orders and quotes displayed at a price other than their limit price or quote price in accordance with Rule 515(d) are not deemed "exposed" for purposes of Rule 520's paragraphs (b) and (c).

This revision is responsive to the comment questioning the application of Rule 520 to the non-displayed orders and quotes resulting from the provisions of Rules 515(c) and 515(d). In conjunction with the revisions to Rule 515 and Rule 516(g) discussed herein, orders that are "managed" (i.e., orders whose limit price would otherwise lock or cross the NBBO) are displayed

at one price and are executable at another), including non-routable orders (e.g., orders marked “Do Not Route” or “DNR”) refer to and are handled in accordance with Rule 515(c)(2). In addition, all “managed” Market Maker orders and quotes are described and handled in accordance with Rule 515(d).

It should be noted that Rule 515(c) also covers the handling of orders (including non-routable orders) that are displayed at their limit price (see for example, Rule 515(c)(1)(ii)(A) and (c)(1)(ii)(B)1.a.). Since these are not “hidden prices”, those orders are deemed exposed for purposes of Rule 520 (b) and (c).

### **C. Non-Displayed Penny Orders**

1. **Comments.** ISE noted that the Commission has previously considered and approved non-displayed penny orders when the Minimum Price Variation (“MPV”) limited the ability of market participants to trade in penny increments.<sup>30</sup> In contrast, ISE stated that MIAX proposes to handle orders and quotes in a manner that will permit non-displayed prices in the regular trading increments in all options classes, which is much broader than what has been previously approved by the Commission.<sup>31</sup>

2. **Revisions to Rule 516(b)(3).** As noted by ISE, the Commission has previously considered and approved non-displayed penny orders. The MIAX proposed rule for non-displayed penny orders is not intended to be broader than what has previously been approved by the Commission. To clarify this intent, Rule 516(b)(3) has been revised to clarify that non-displayed penny orders will only be accepted in certain classes designated by MIAX as being eligible for non-displayed penny orders and such options must have an MPV pursuant to Rule 510 larger than one penny.<sup>32</sup>

### **III. Intermarket Trade-Through Protection for Public Customer Orders**

A. **Comments.** ISE noted that MIAX proposed to provide intermarket trade-through protection by routing Priority Customer Orders, rather than Customer Orders, to other exchanges pursuant to proposed Rule 515(c) and proposed Rule 529 and accordingly requested a full discussion of this aspect of the MIAX Application.<sup>33</sup>

B. **Revisions.** The MIAX Rules have been revised to provide intermarket trade-through protection by routing all Public Customer orders<sup>34</sup> to other exchanges pursuant to Rule 529.<sup>35</sup> Rule 529 is described above in Section II.B.4.

### **IV. Execution Priority and Entitlements**

#### **A. Rule 514 (Priority of Quotes and Orders)**

1. **Comments.** The commenters noted that MIAX proposes to adopt an execution priority rule that contains two different methodologies (price-time or pro-rata based on size) with several different priority overlays and market maker entitlements. The commenters requested clarification regarding the operation of proposed Rule 514.

2. General Description of Price-Time and Pro-Rata Allocation Methodology. After the opening, executions on the Exchange will occur when a buy order/quote and a sell order/quote match on the Exchange's Book. Pursuant to Rule 514(c), such executions are allocated according to either the price-time allocation methodology or the pro-rata allocation methodology. The Exchange will determine on a class-by-class basis which allocation methodology will be used and applied to all types of option contracts within an option class.

(a) Price-Time Allocation. The price-time allocation methodology provides when there are two or more quotes or orders resting on the Book at the best price, the trade is allocated among those resting quotes and orders in the order in which they were received by the trading System. None of the priority overlays described below will be used in conjunction with the price-time allocation methodology.

(b) Pro-Rata Allocation. The pro-rata allocation methodology matches an initiating order or quote against resting interest on the Exchange's Book using a methodology that ensures that best price has priority, but also allocates in a method that rewards continuous tight and liquid two-sided markets. When multiple participants with resting interest are at the same price, the Exchange uses a base pro-rata methodology, which allocates based on participation type as follows: (i) Priority Customer orders; (ii) Market Maker priority quotes (allocations to Market Maker priority quotes will only occur after all Priority Customer orders at the same price have been allocated in full), and (iii) Professional Interest (allocations to Professional Interest will only occur after all Priority Customer orders and Market Maker priority quotes have been allocated in full).

(c) Priority Overlays. The Exchange may add the following allocation priority overlays to modify the base pro-rata allocation; Priority Customer, Market Turner, Primary Lead Market Maker and/or Directed Lead Market Maker. These are available at the Exchange's discretion on a class-by-class basis pursuant to Rule 514(d). For example, (i) the Priority Customer overlay provides Priority Customers with priority over all Market Maker interest and professional orders at the same price; (ii) the Market Turner overlay (which may only be in place when none of the other priority overlays are in place) provides market turners (the first to enter an order or quote at a better disseminated price) with priority over all other participants at the highest disseminated bid or lowest disseminated offer price the market turner established; (iii) the Primary Lead Market Maker overlay (which may only be in effect if the Priority Customer overlay is also in effect) provides Primary Lead Market Makers using priority quotes with priority over other Market Makers for a certain percentage of contracts allocated at the same price (60% or 40% depending upon the number of other Market Makers at the NBBO) and for small size orders (defined as 5 contracts or less); and (iv) the Directed Lead Market Maker overlay (which may only be in effect if the Priority Customer overlay is also in effect) provides the Directed Lead Market Maker using priority quotes with priority over other Market Makers for a certain percentage of contracts allocated at the same price (60% or 40% depending upon the number of other Market Makers at the NBBO).

3. Revisions to Rule 514. Rule 514 has been revised to clarify the operation of the Rule<sup>36</sup>, including the following:

- The operation of the two different trade allocation methodologies (price-time or pro-rata) with the different priority overlays applicable only to the pro-rata allocation method;<sup>37</sup>
- The operation of the market turner overlay;<sup>38</sup> and
- That after executions resulting from priority overlays set forth in subparagraph (d) of Rule 514 (Priority Customer Order overlay, market turner overlay, Primary Lead Market Maker overlay, Directed Lead Market Maker overlay) remaining market maker priority quotes, which have not received a participation entitlement, have precedence over other professional interest under the pro-rata methodology but not under price time methodology.<sup>39</sup>

In addition, Exhibit E to the Form 1 Application has been revised to:

- Include a detailed description of how the different trade allocation and priority overlays operate;<sup>40</sup> and
- Clarify that execution of Intermarket Sweep Orders (“ISOs”) on the Exchange will be handled in accordance with the Exchange Rules governing the allocation among participants to the execution. For example, a Market Maker with a priority quote will have precedence over professional interest in the situation where there is an execution of an ISO is at a price that is inferior to the NBBO.<sup>41</sup>

## **B. Priority Quotes**

1. Comments. ISE asked for clarification as to the definition of and standards applicable to “priority quotes” and how this differs from a market makers regulatory obligations.<sup>42</sup>

2. General Description of Priority Quotes. Rule 517 (Quote Types Defined) provides for the categorization of certain Market Maker quotes as priority quotes and non-priority quotes.<sup>43</sup> Use of priority quotes, which need to meet certain bid/ask differential and other requirements set forth in Rule 517, will entitle Market Makers on the Exchange to precedence over all same-priced professional interest (e.g., an order for the account of a person that is not a Priority Customer and Market Maker orders and non-priority quotes) on the Exchange under Rule 514(e) (Precedence of Market Maker Quotes and Orders for Pro-Rata Allocation Method). The categorization of Market Maker quotes as priority and non-priority allows the Exchange to provide incentives to its Market Makers to provide tighter markets. When the program is fully rolled out on the Exchange, requirements will include a priority quote width standard set at or between one Minimum Price Variation and the bid/ask differentials outlined in proposed Exchange Rule 603(b)(4).<sup>44</sup> The priority quote width standards will be in addition to and generally more stringent than the regulatory requirements applied to Market Makers. A Market Maker failing to meet the bid/ask differential requirements of Rule 603(b)(4) will be subject to disciplinary action.

3. Revisions to Rules 517 and 602. The definition of “priority quote” in Rule 517(b) has been revised to clarify that for trade allocation purposes Market Maker quotes will be considered either priority quotes or non-priority quotes. Rule 517(b) sets forth the requirements that must be met at the time of execution for a quote to be considered a priority quote. Rule 517(b)(1)(ii) has been further revised to clarify that the priority quote width standard will be established by the Exchange and filed with the Commission in accordance with Section 19. The priority quote width standard established by the Exchange can have bid/ask differentials as narrow as one MPV, as wide but never wider than the bid/ask differentials outlined in Rule 603(b)(4), or somewhere in between. Notwithstanding the foregoing, until such time as the Exchange has submitted and received approval of a rule change establishing narrower bid/ask differentials, the priority quote width standard will be the bid/ask differentials outlined in Rule 603(b)(4). Exhibit E to the Form 1 Application has been revised to clarify the definition of priority quote and the operation of the same.

Rule 602(c)(2) (Number of Market Makers Quoting Per Class) has been revised to increase the Class Quoting Limit (“CQL”) which was previously set at ten to fifty in order to set the CQL at a higher number consistent with other exchanges (e.g. CBOE and C2).<sup>45</sup> Accordingly, as revised, Rule 602(c)(2) provides that the Exchange will impose an upper limit on the aggregate number of Market Makers that may quote in each class of options and such number is fifty Market Makers. Further, under Rule 602(c)(2), Market Makers requesting an appointment in a class of options will be considered for the appointment in accordance with the provisions of Rule 602 provided the number of Market Makers appointed in an options class does not exceed the CQL. MIAX believes that this will provide additional opportunity for interested participants to become Market Makers on MIAX and avail themselves of the benefits afforded to Market Makers as well as the obligations. All of such appointed Market Makers will have the option to submit priority quotes or non-priority priority quotes and if priority quotes are submitted by such Market Makers meeting certain bid/ask differential and other requirements set forth in Rule 517, the Market Makers will be entitled to precedence over all same-priced professional interest on the Exchange under Rule 514(e).

As described above, a Market Maker failing to meet the bid/ask differential requirements of Rule 603(b)(4) will be subject to disciplinary action. Accordingly, MIAX does not believe that any revision to Rule 603 is necessary in response to ISE’s comment that it believes the language of Rule 603 needs to be amended.<sup>46</sup>

## V. Miscellaneous

### A. Additional Revisions Made to Rules

NASDAQ OMX claimed that some rules are vague and use the terms “from time-to-time” and “may”, which affords MIAX an inappropriate amount of discretion.<sup>47</sup> As described herein, MIAX has revised certain of its proposed rules to add further detail where MIAX believes such detail will be beneficial. In addition, where appropriate MIAX has revised certain rules to change terms such as “from time-to-time” and “may” to a more definite specific time frame, and add specificity in certain rules, as follows:

- In subsection (b) of Rule 503 (Openings on the Exchange), “may” has been replaced with “will” - “The procedure described in this Rule will be used to open an option class after a trading halt.”<sup>48</sup> (Emphasis added)
- Subsection (e)(1) (Starting the Opening Process) of Rule 503 (Openings on the Exchange) has been revised to include a reference to the market to be used to start the opening process - “The opening process . . . can only begin following the dissemination of a quote or trade in the market for the underlying security.”<sup>49</sup> (Emphasis added)
- Subsection (g) of Rule 503 (Starting the Opening Process) has been revised to clarify that the Help Desk may only “delay” the standard manner of the opening procedure when necessary in the interests of maintaining a fair and orderly market, rather than “deviate from” it.<sup>50</sup>
- A new subsection (c) (Notification of Public Customer Interest on the Book) to Rule 506 (Collection and Dissemination of Quotations) was included which provides that “The Exchange will make available to subscribers to its data feeds and to all market participants through OPRA an indication that there is a Public Customer interest included in the MBBOs disseminated by the Exchange.”<sup>51</sup> (Emphasis added)
- Rule 510 (Minimum Price Variations and Minimum Trading Increments) was revised to include a date for the end of the penny pilot program (December 31, 2012).<sup>52</sup>
- Rule 512 (Contract Made on Acceptance of Bid or Offer) was eliminated as it was duplicative.<sup>53</sup>
- Subsection (g)(2) (Primary Lead Market Maker Participation Entitlements) of Rule 514 (Priority of Quotes and Orders) was revised to clarify that only Priority Customer Orders will be eligible to be directed and to state that “small size orders are defined as five (5) or fewer contracts” rather than “will initially be defined as five (5) or fewer contracts”. (Emphasis added). Any changes to the small size order set forth in Rule 514(g)(2) by MIA X will be made by a rule filing.<sup>54</sup>
- Subsection (h) (Directed Lead Market Maker Participation Entitlements) of Rule 514 (Priority of Quotes and Orders) was revised to state that the order types eligible to be directed will be set forth in the Rules and not by regulatory circular.<sup>55</sup> (Emphasis added)

NASDAQ OMX also requested that MIA X revise Rule 507 (Must Give Up Clearing Member) to require that the member inform the exchange of a change in the Clearing Member rather than inform the change to the Clearing Member on the other side of the transaction.<sup>56</sup> MIA X has revised Rule 507 to accommodate this request which should be less burdensome for Members.<sup>57</sup>

## **B. Requested Revisions Not Made by MIAX**

NASDAQ OMX requested that certain additional rules be revised. For the reasons described below, MIAX does not believe that changes should be made to these rules to the extent requested by NASDAQ OMX or at all in certain cases.

### **1. Opening Process**

With respect to the opening process, NASDAQ OMX noted that Rule 503(g) provides that the Help Desk may deviate from the standard manner of the opening procedure, including delaying the opening in any option class, when necessary in the interests of maintaining a fair and orderly market. NASDAQ OMX argued that MIAX should be more specific about when this would apply.<sup>58</sup>

MIAX has revised Rule 503(g) to limit the actions of the Help Desk to now provide that “The Help Desk may delay the opening procedure when necessary in the interests of maintaining a fair and orderly market.” (Emphasis added)

However, MIAX believes that flexibility in determining whether to delay the opening is necessary and appropriate. Indeed, MIAX notes that PHLX Rule 1047(c) provides essentially the same level of detail as to when it may deviate from the standard manner of the opening procedure: “*An Options Exchange Official shall have the authority, respecting a particular class or series of options, to delay the opening. . . whenever such action is deemed necessary in the interests of maintaining a fair and orderly market in such class or series of options and to protect investors.*” (Emphasis added)

### **2. Order Types**

NASDAQ OMX pointed to proposed Rule 516 (Order Types Defined) which states: “It should also be noted that not all order types listed and described in this rule will be initially available for use on the Exchange.” NASDAQ OMX argued that MIAX should be compelled to define which order types will be available and file changes when new order types are introduced.

MIAX believes that it is permissible and appropriate to list in its Rules all order types that it may use in the foreseeable future and to note the use of the same in a Regulatory Circular provided the Rule that lists an order type contains a sufficient level of detail about such order type. MIAX believes that Rule 516 provides adequate detail on each of the order types listed therein. MIAX further notes that other exchanges have similar rules.<sup>59</sup> MIAX plans to use each of the order types listed in Rule 516 in the foreseeable future. At the commencement of the operations of the Exchange, each of the following order types set forth in Rule 516 will be available for use: Market Order, Limit Order, Marketable Limit Order, Fill-or-Kill Order, Auction or Cancel Order, Immediate or Cancel Order, Intermarket Sweep Order, Do Not Route Order, Opening Order, Day Limit Order and Good ‘Til Cancelled Order. At the commencement of the operations of the Exchange, each of the following order types will not yet be available for use: Non-displayed Penny Order, WAIT Order, Attributable Order, Customer Cross Order and Qualified Contingent Cross Order. Accordingly, of the sixteen order types listed in Rule 516, eleven will be available at the

commencement of operations. MIAX represents that any order type not set forth in Rule 516 will only be added pursuant to a new rule filing.

### 3. Quote Types

NASDAQ OMX noted that proposed Rule 517 states: "Not all of the quote types listed and described in this rule will be initially available for use on the Exchange." NASDAQ OMX argued that MIAX should be compelled to define which quote types will be available and file changes when new quote types are introduced.<sup>60</sup> MIAX believes that it is permissible and appropriate to list in its Rules all quote types that it may use in the foreseeable future and to note the use of the same in a Regulatory Circular provided the Rule listing the quote type contains a sufficient level of detail about such quote type. MIAX believes that Rule 517 provides adequate detail on each of the quote types listed therein. MIAX plans to use each of the quote types listed in Rule 517 in the foreseeable future. At the commencement of the operations of the Exchange, each of the following quote types set forth in Rule 517 will be available for use: Standard Quote, Auction or Cancel eQuote, Opening Only eQuote, Immediate or Cancel eQuote, Fill or Kill eQuote and Intermarket Sweep eQuote. Day eQuotes will not yet be available at the commencement of operations of the Exchange. Accordingly, of the seven quote types listed in Rule 517, six will be available at the commencement of operations. MIAX represents that any quote type not set forth in Rule 517 will only be added pursuant to a new rule filing.

### 4. Aggregate Risk Monitor

NASDAQ OMX notes that Rule 612(a), in describing the Aggregate Risk Manager, states that "when an execution of a Market Maker's Standard quote or Day eQuote occurs, the System will look back over the specified time period to determine whether the execution triggers the Aggregate Risk Manager." However, NASDAQ OMX notes that the technical specifications provide on pages 4, 8 and 17 that eQuotes do not count. NASDAQ OMX requested that MIAX clarify how its risk protection feature will operate.<sup>61</sup> MIAX believes that Rule 612(a) is accurate as written and that the MIAX MEI Interface Specification (the "MEI Specification") is currently accurate. As noted by the commenter, Rule 612 states that when an execution of a Market Maker's Standard quote or Day eQuotes occurs, the System will look back over the specified time period to determine whether the execution triggers the Aggregate Risk Manager. However, MIAX does not plan to support Day eQuotes for the initial launch of the Exchange. Accordingly, the MEI Specification is accurate in that at this time the Day eQuote types currently specified do not count toward the ARM. Once MIAX adds Day eQuotes to the MEI Specification it will change the notes section in the MEI Specification to indicate that Day eQuotes are included in the ARM count.

### 5. Letter of Guarantee

NASDAQ OMX noted that proposed Rule 608 requires market makers to have a letter of guarantee. NASDAQ OMX stated that it believes that all participants should be required to provide a letter of guarantee, not just market makers. On behalf of NOS, NASDAQ OMX seeks the protection that a stronger provision affords, such as Chapter VII, Section 8 of NOM's rules, which provides that no market participant shall make any transactions without a letter of guarantee (that has not been revoked) and that the issuing clearing member accepts financial responsibilities for all

transactions made pursuant to such letter.<sup>62</sup> MIAX agrees. All Members of the MIAX Exchange are required pursuant to Rule 209 to provide a letter of guarantee, not just market makers. MIAX Rule 608 is an additional rule that relates specifically to MIAX Market Makers.

---

In summation, in the interest of greater transparency, certain proposed rules of the MIAX Exchange and Exhibit E to the Application have been revised in Amendment No. 1 to clarify the operation of such rules and to provide additional detail where MIAX believes such detail will be beneficial. Accordingly, as the Application as amended meets the requirements of Section 6 of the Act, we urge the Commission to approve the amended Application.

Very truly yours,



Barbara J. Comly  
Executive Vice President,  
General Counsel & Corporate Secretary

cc: Robert Cook, Director, Division of Trading and Markets  
James Burns, Deputy Director, Division of Trading and Markets  
Heather Seidel, Associate Director, Division of Trading and Markets  
Richard R. Holley III, Assistant Director, Division of Trading and Markets

## NOTES

- <sup>1</sup> Letter from Michael J. Simon, Secretary, International Securities Exchange, to Elizabeth M. Murphy, Secretary, Commission, dated October 4, 2012 (“ISE Letter”).
- <sup>2</sup> Letter from Jeffrey S. Davis, Vice President & Deputy General Counsel, NASDAQ OMX, to Elizabeth M. Murphy, Secretary, Commission, dated October 4, 2012 (“NASDAQ OMX Letter”).
- <sup>3</sup> Securities Exchange Act Release No. 67660 (August 16, 2012), 77 FR 50184 (August 20, 2012) File No. 10-207.
- <sup>4</sup> Amendment No. 1 modified the Application by revising: Exhibit A to revise the Second Amended and Restated Limited Liability Agreement and proposed By-Laws of MIAX to provide for an interim board of directors, provide for the initial Nominating Committee and Member Nominating Committee to serve until the Second Annual Meeting of the LLC Member and set forth the compositional requirements of the Business Conduct Committee; Exhibit B to revise certain proposed rules of the Exchange; Exhibit C to update the directors of Miami International Holdings, Inc.; Exhibit E to revise the description of the manner of operation of the system and certain proposed rules; Exhibit F to revise certain membership forms; and Exhibit J to update the directors of MIAX and include a description of the interim board and interim member representative director election process. The references herein to the rules of MIAX refer to the proposed rules of MIAX as set forth in the Application or Amendment No. 1 as applicable.
- <sup>5</sup> ISE Letter at page 1.
- <sup>6</sup> NASDAQ OMX Letter at pages 1 and 2.
- <sup>7</sup> See note 4.
- <sup>8</sup> ISE Letter at page 1.
- <sup>9</sup> NASDAQ OMX Letter at page 2.
- <sup>10</sup> NASDAQ OMX Letter at page 2.
- <sup>11</sup> The rules of the following exchanges include provisions related to (1) market turner priority: Chicago Board Options Exchange (“CBOE”) (Rule 6.45(A)(a)(iii)(2)); and C2 Options Exchange (“C2”) (Rule 6.12(b)(1)); (2) a liquidity refresh pause: NASDAQ OMX PHLX (“PHLX”) Rule 1082(a)(ii)(B)(3); and (3) non-displayed penny orders: CBOE Rule 6.13B; ISE Rule 715(b)(4); NASDAQ Options Market (“NOM”) Rule Chapter VI Section 1(6) & 7(b)(3)(B); and NYSE MKT LLC (“NYSE AMEX”) Rules 900.3NY(r), 960NY(b) and 960NY.
- <sup>12</sup> ISE Letter at page 1.
- <sup>13</sup> Exhibit E, Section C, Display of Orders and Quotations.
- <sup>14</sup> See text at note 10 for NASDAQ OMX comment related to Liquidity Refresh Pause.

---

The Exchange's liquidity refresh rule - Rule 515(c)(1)(iii)(A) - as clarified provides the following: If, at the time of receipt of an initiating order by the System, the MBBO was alone at the NBBO and either the initiating order was a limit order whose limit price at the time of receipt by the System crosses the NBBO or the initiating order was a market order, and the limit order or market order could only be partially executed, the following processes will occur. If a Market Maker quote was all or part of the MBBO and the Market Maker's quote was exhausted by the partial execution of the initiating order, the System will pause the market for a time period not to exceed one second to allow additional orders or quotes refreshing the liquidity at the MBBO to be received ("liquidity refresh pause"). At the start of the liquidity refresh pause, the System will broadcast a liquidity refresh message to subscribers of the Exchange's data feeds, providing a description of the option and the size and side of the order. In addition, during the liquidity refresh pause the System will display the remainder of the initiating order at the original NBBO price, which has been exhausted, and on the opposite side of the market, the Exchange's next bid (or offer) as non-firm (or in the absence thereof, a price of zero with a size of zero). If the NBBO was crossed when the initiating order was received, the System will continue to process the initiating order in accordance with subparagraph (c)(iii)(B) of Rule 515 and will not pause the market or broadcast a liquidity refresh message. (Emphasis added) (Rule 515(c)(1)(iii)(A))

During the liquidity refresh pause all market participants can respond to the liquidity refresh message broadcast during the liquidity refresh pause. (Rule 515(c)(1)(iii)(1)a.)

If the Exchange receives a new order or quote on the opposite side of the market from the initiating order's remaining contracts, which locks or crosses the original NBBO, the System will immediately execute the remaining contracts from the initiating order to the extent possible at the original NBBO price provided it does not trade at a price inferior to the current NBBO. If unexecuted contracts remain from the initiating order, the MBBO will be revised and disseminated to reflect the initiating order's displayed price and remaining size. (Emphasis added) (Rule 515(c)(1)(iii)(1)b.)

If the Exchange receives a new order or quote on the same side of the market as the initiating order's remaining contracts, which locks or crosses the original NBBO, the System will add the new order or quote to the MBBO size and disseminate the updated MBBO. The initiating order and any new order(s) or quote(s) on the same side of the market received during the liquidity refresh pause will be processed in the order in which they were received. Thus, the initiating order will be executed first and any additional order(s) or quote(s) will be executed in order of receipt. (Rule 515(c)(1)(iii)1.c.)

If all of the remaining contracts in the initiating order and any new order(s) or quote(s) on the same side of the market received during the liquidity refresh pause are traded or cancelled during the liquidity refresh pause, the liquidity refresh pause will be terminated early and normal trading will resume. (Rule 515(c)(1)(iii)1.d.)

If the Exchange receives an Immediate or Cancel ("IOC") or a Fill-or-Kill ("FOK") order on the same side of the market as the initiating order's remaining contracts, the System will immediately cancel the IOC and FOK orders. (Rule 515(c)(1)(iii)1.e.)

If the Exchange receives an Auction or Cancel ("AOC") order on the same side of the market as the initiating order's remaining contracts, the System will immediately reject the AOC order. (Rule 515(c)(1)(iii)1.f.)

---

If the Exchange receives an Intermarket Sweep Order (“ISO”) on the same side of the market as the initiating order’s remaining contracts, the liquidity refresh pause will be terminated early. If the liquidity refresh pause was terminated due to the receipt of an ISO, the initiating order and any new order(s) or quote(s) on the same side of the market received during the liquidity refresh pause and the ISO will be processed in the order in which they were received, with the initiating order being processed first and the ISO being processed last. (Rule 515(c)(1)(iii)1.g.)

If the NBBO becomes crossed during the pause, the pause will terminate immediately and the provisions following the end of the liquidity refresh pause will apply. (Emphasis added) (Rule 515(c)(1)(iii)1.h.)

The clarifying changes to the liquidity refresh pause described above include the following. Subparagraph (c)(1)(iii)(A) of Rule 515 has been revised to indicate that the liquidity refresh pause will not be used if the NBBO was crossed when the initiating order was received. Subparagraph (c)(1)(iii)(A)1.b. of Rule 515 has been revised to clarify that if unexecuted contracts remain from the initiating order, the MBBO will be revised and disseminated to reflect the initiating order’s displayed price and remaining size. New subparagraph (c)(1)(iii)(A)1.h. of Rule 515 has been added to clarify that if the NBBO becomes crossed during the liquidity refresh pause, the pause will terminate immediately and the provisions following the end of the liquidity refresh pause will apply. Exhibit E has also been revised to clarify the operation of the liquidity refresh pause. The liquidity refresh pause as set forth in Rule 515(c)(1)(iii)(A) in the Application and as revised and clarified in Amendment No. 1 is similar to the operation of PHLX Rule 1082(a)(ii)(B)(3).

As described above, MIAX’s Rule 515(c)(1) as revised specifically provides that the liquidity refresh pause will not be used if the NBBO was crossed when the initiating order was received and it will terminate if the NBBO becomes crossed during the pause. The changes made to Rule 515 are consistent with the Act in that they provide more clarity to the Rule’s exposure provision, which allows the Exchange to provide an additional opportunity to execute orders at the NBBO or better and provide more efficient and competitive executions.

<sup>15</sup> Rule 515(c)(2) and Exhibit E have been revised to more fully describe how managed orders are handled by the System. Rule 515(c)(2) provides the following: As indicated in Rule 515 subparagraphs (c)(1)(i)(A), (c)(1)(ii)(A), (c)(1)(ii)(B)1.a., (c)(1)(ii)(B)2.a., (c)(1)(iii)(A)2.a.1), (c)(1)(iii)(A)2.b.1), (c)(1)(iii)(B)1.a., and (c)(1)(iii)(B)2.a. for orders that could not be executed or could not be executed in full and could not be displayed at their limit price because that limit price would lock or cross the NBBO, the managed interest process described herein will apply. For those orders further managed in accordance with this paragraph (“managed orders”), the System will display the managed order one MPV away from the current opposite side NBBO and book the order at a price that will lock the current opposite side NBBO. Should the NBBO price change to an inferior price level, the managed order’s Book price will continuously re-price to lock the new NBBO and the managed order’s displayed price will continuously re-price one MPV away from the new NBBO until the order reaches its original limit price, is fully executed or is cancelled. If the Exchange receives a new order or quote on the opposite side of the market from the managed order that can be executed, the System will immediately execute the remaining contracts from the managed order to the extent possible at the managed order’s current Book bid or offer price, provided that the execution price does not violate the current NBBO. If unexecuted contracts remain from the managed order, the managed order’s size will be revised and the MBBO disseminated to reflect the managed order’s remaining contracts. (Emphasis added). MIAX Rule 515(c)(2), as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of PHLX Exchange Rules 1080(m)(iv)(A) and 1082(a)(ii)(B)(3)(e).

As described above, MIAX's Rule 515(c)(2) as revised specifically provides that (i) the System will continue to re-price both the displayed price and the Book price of the managed order if the NBBO changes to an inferior price; (ii) when a new order on the opposite side of the market arrives in the System that is executable, it will execute at the managed order's Book bid or offer price provided the execution does not violate the current NBBO; and (iii) if an execution does occur, but contracts still remain in the managed order, the disseminated MBBO will be revised to reflect the change in the managed order's size. The changes made to Rule 515(c)(2) are consistent with the Act in that they clarify how orders are handled on the Exchange and allow the Exchange to provide more efficient and competitive executions.

<sup>16</sup> See note 22.

<sup>17</sup> Clarifying changes to Rule 515 in addition to those discussed herein (see notes 14 and 15) include the following. Throughout Rule 515 the term "through" has been replaced with text that clarifies its meaning in the context of its usage. Generally, "through" has been replaced with either "at a price inferior to" or "at a price that crosses". Rule 515 was clarified in several sections by adding that market orders and limit orders with a price crossing the original NBBO by more than one MPV will be cancelled. Rule 515(a) has been revised to add a discussion of how orders and quotes that could not be executed because the executions would be inferior to the NBBO will be handled. Rules 515(e), (f) and (g) have been revised to clarify that contracts remaining from an Immediate-or-Cancel, Fill-or-Kill and Intermarket Sweep orders are not eligible for automatic resubmission as a new order in those instances when a Member has instructed the Exchange in writing to re-enter remaining contracts. Interpretations and Policies .01 has been added to state a Member may submit written instructions to the Exchange designating orders the Member submits as eligible for automatic resubmission when the order or any remaining part of the order has been automatically cancelled by the System. This is functionality provided by the trading System and can be used in situations described in Rule 515 where the System automatically cancels an order and is similar to the functionality on PHLX as described in the PHLX FIX specification as noted in Appendix D thereto. The changes made to Rule 515 are consistent with the Act in that they clarify how orders are handled on the Exchange, which allows the Exchange to provide more efficient and competitive execution.

<sup>18</sup> Rule 515(c)(2) has been revised to more fully describe how managed orders are handled by the System and to clarify that orders in the managed interest process are continuously repriced. See note 15.

<sup>19</sup> Rule 516(g) (Do Not Route Order) provides: A Do Not Route or "DNR" order is an order that will never be routed outside of the Exchange regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will be handled in accordance with the managed interest process described in Rule 515(c)(2). (Emphasis added). Rule 515(c)(2) has been revised to more fully describe how managed orders are handled by the system and to clarify that orders in the managed interest process are continuously repriced. See note 15.

<sup>20</sup> Rule 515 has been revised throughout to clarify the execution price of a resting order that has a non-displayed execution price. For example, subparagraph (c)(1)(i)(A) has been revised to clarify that a non-routable non-Market Maker limit order that could not be executed or could not be executed in full at the original NBBO upon receipt whose limit price at the time of receipt by the System locks the NBBO and the order could not be executed by the System because either the MBBO was not at the NBBO or the MBBO was at the NBBO, but the order could only be partially executed, may execute on the Exchange at a price equal to or better than, but not inferior to, the ABBO and that if the initiating order or contracts

---

from the initiating order remain, which lock the ABBO, the non-routable initiating order will be handled in accordance with the managed interest process of Rule 515(c)(2). (Emphasis added). Clarifications regarding the execution price of a resting order that has a non-displayed execution price under Rule 515(c)(2) are described in note 15 with respect to managed orders and note 22 with respect to certain Market Maker orders or quotes under Rule 515(d). The changes made to Rule 515 are consistent with the Act in that they clarify how orders are handled on the Exchange and allow the Exchange to provide more efficient and competitive executions that will not be executed at price inferior to the ABBO.

<sup>21</sup> Rule 515(c)(2) has been revised to clarify the circumstances in which the non-displayed portion of orders described therein are repriced and in what circumstances the booked price would differ from the NBBO. See notes 15 and 22.

<sup>22</sup> Rule 515(d) (Handling of Market Maker Orders and Quotes) has been revised to clarify that market maker quotes and orders are continuously re-priced. Specifically, revised Rule 515(d) provides if a Market Maker order or quote could not be executed or could not be executed in full upon receipt, the System will continue to execute the Market Maker's order or quote at multiple prices until (i) the Market Maker's quote has been exhausted or its order has been completely filled; (ii) the executions have reached the Market Maker's limit price; or (iii) further executions will trade at a price inferior to the ABBO, whichever occurs first. For a Market Maker order or quote that locks or crosses the ABBO, the System will manage such order or quote in accordance with the following. Once the System can no longer execute the Market Maker's order or quote, the System will display the order or quote one MPV away from the current opposite side NBBO and book the order or quote at a price that will internally lock the current opposite side NBBO. Should the NBBO price change to an inferior price level, the Market Maker order or quote's Book price will continuously re-price to lock the new NBBO and the Market Maker order or quote's displayed price will continuously re-price one MPV away from the new NBBO, until the Market Maker order or quote reaches its original limit price, is fully executed or cancelled. If the Exchange receives a new order or quote on the opposite side of the market from the Market Maker order or quote that can be executed, the System will immediately execute the remaining contracts from the Market Maker order or quote to the extent possible at the Market Maker order or quote's current Book bid or offer price, provided that the execution price does not violate the current NBBO. If unexecuted contracts remain from the Market Maker's order or quote, the order or quote size will be revised and the MBBO disseminated to reflect the order or quote's remaining contracts. (Emphasis added).

The changes made to Rule 515(d) are consistent with the Act in that they allow the Exchange to provide more efficient and competitive executions.

<sup>23</sup> Rules 515(c) and 515(d) have been revised to clarify what happens in such situations if an inbound order comes into the MIAX System where such inbound order contains less than the size of the posted order. Specifically, MIAX's revised Rules 515(c) and (d) provide that if the Exchange receives a new order or quote on the opposite side of the market from the managed order that can be executed, the System will immediately execute the remaining contracts from the managed interest (orders or quotes) to the extent possible at the managed interest's current Book bid or offer price, provided that the execution price does not violate the current NBBO. If unexecuted contracts remain from the managed order, the managed interest's size will be revised and the MBBO disseminated to reflect the managed interest's remaining contracts. See notes 15 and 22.

Subsection (b)(2) (Route Mechanism – Route Timer) of Rule 529 (Order Routing to the Exchange) has been revised to clarify what happens if during the Route Timer described therein an inbound opposite side

---

order comes into the MIAX System where such inbound order contains less than the size of the posted order. Rule 529(b)(2)(i) provides that during the Route Timer, if the Exchange receives a new order or quote on the opposite side of the market from the initiating order that can be executed, the System will immediately execute the remaining contracts from the initiating order to the extent possible at the initiating order's current Book bid or offer price, provided that the execution price does not violate the current NBBO.

The changes made to Rules 515(c), 515(d) and 529(b)(2) are consistent with the Act in that they provide additional clarity to how orders are handled on the Exchange. Rule 515, which describes how orders and quotes are handled on the Exchange, is consistent with the Act in that, among other things, only allows the execution of an order or quote at the best price on the Exchange provided that price is not price inferior to the NBBO and provides price protection to certain orders as set forth in Rule 515.

- <sup>24</sup> Rule 516(g) (Do Not Route Order) as revised provides: A Do Not Route or "DNR" order is an order that will never be routed outside of the Exchange regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will be handled in accordance with the managed interest process described in Rule 515(c)(2). Rule 515(c)(2) provides that incoming orders will be executed against such orders at their booked price "provided that the execution price does not violate the current NBBO." (Emphasis added) See note 15.

Rule 516(g), as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of PHLX Rules 1080(m)(iv)(A). MIAX Rule 529 as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of CBOE Rule 6.14B and 6.14(b) and ISE 803 Supp. Material .02.

Rule 529(b)(2)(i) (Route Timer) as revised provides that for those initiating Public Customer orders that are routable, but do not meet the additional criteria for Immediate Routing, the System will implement a Route Timer not to exceed one second (the duration of the Timer will be announced to Members through a Regulatory Circular), in order to allow Market Makers and other participants an opportunity to interact with the initiating order. Contemporaneously with the start of the Timer, the System will broadcast a Route Notification to subscribers of the Exchange's data feeds, which will include the option contract size and side of the market of the initiating Public Customer order. The System will display and book the initiating order at its limit price, or if the limit price locks or crosses the current opposite side NBBO, display the initiating order one Minimum Price Variation ("MPV") away from the current opposite side NBBO and book the initiating order at a price that will internally lock the current opposite side NBBO. The initiating order will remain available for execution up to its original bid or down to its original offer. If, during the Route Timer, the Exchange receives a new order or quote on the opposite side of the market from the initiating order that can be executed, the System will immediately execute the remaining contracts from the initiating order to the extent possible at the initiating order's current Book bid or offer price, provided that the execution price does not violate the current NBBO. If unexecuted contracts remain from the initiating order, the MBBO will be revised and disseminated to reflect the initiating order's displayed price and remaining size. The Exchange will also display, on the opposite side of the market, its next bid (or offer) as non-firm (or in the absence thereof, a price of zero with a size of zero). (Emphasis added)

---

The changes made to Rules 516(g) and 529 are consistent with the Act in that they further clarify the application of price protection processes to orders and clarify that orders subject to such Rules will not be executed at a price that would trade-through the NBBO.

- <sup>25</sup> Additional sentences have been added to 516(b)(3) (Non-Displayed Penny Orders) as follows: A limit order received by the Exchange with a limit price in a one cent increment will be rejected by the Exchange if the option contract is in a class that has an MPV pursuant to Rule 510 larger than one cent and has not been designated by the Exchange as being eligible for non-displayed penny orders. Notwithstanding the foregoing, limit orders that specify a one cent increment in an option contract eligible for a Minimum Price Variation pursuant to Rule 510, Interpretation and Policies .01 (i.e., the penny pilot program) that is one cent will be displayed at its limit price in accordance with that program, or if the limit price would lock or cross the NBBO, will be handled in accordance with the managed interest process described in Rule 515(c)(2). There are no “non-displayed” penny orders in an option contract that has a one-cent Minimum Price Variation pursuant to Rule 510, Interpretations and Policies .01 (i.e., the penny pilot program).

Rule 516(b)(3), as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of CBOE Rule 6.13B; ISE Rule 715(b)(4); NASDAQ OMX BX (“BX”) Ch. VI, Sec. 1(6) and Sec. 7(a)(3)(B); NOM Ch. VI Rule Sec. 1(6) and Sec. 7(a)(3)(B); and NYSE AMEX Rules 900.3NY(r), 960NY(b) and 960NY.

The changes made to Rule 516(b)(3) are consistent with the Act in that they clarify that limit orders in one-cent increments cannot be submitted and will be rejected in classes not designated as part of the Non-Displayed Penny Orders program. The changes further clarify that limit orders submitted in one-cent increments for option contracts that have a minimum price variation of one-cent as part of the Penny Pilot Program will be displayed at their limit price in accordance with that program or if the limit price would lock or cross the NBBO, be handled in accordance with the managed interest process described in Rule 515(c)(2). Non-Displayed Penny Orders are consistent with the Act in that they provide the potential for investors to receive executions inside the disseminated best bid or offer.

- <sup>26</sup> The original language in Rule 516(g) stated that a Do Not Route Order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the Do Not Route order will remain on the Book and be displayed at a price one MPV inferior to the away best bid/offer. See note 24 for revised language of Rule 516(g). The managed interest process of Rule 515(c)(2) is described in note 15.
- <sup>27</sup> NASDAQ OMX Letter at page 4.
- <sup>28</sup> ISE Letter at page 3.
- <sup>29</sup> ISE Letter at page 2.
- <sup>30</sup> ISE Letter at page 2.
- <sup>31</sup> ISE Letter at page 2.
- <sup>32</sup> See note 25.

- <sup>33</sup> ISE Letter at page 3.
- <sup>34</sup> Rule 100 provides that “Public Customer Orders” are orders for the account of a person that is not a broker or dealer in securities.
- <sup>35</sup> Rule 515(c) notes in several sections that orders eligible for routing will be handled in accordance with Rule 529. Rule 529 (Order Routing to Other Exchanges) and Rule 503 (Openings on the Exchange) have been revised to change all references from Priority Customer Order to Public Customer Order. Clarifying changes to Rule 529 include the following. Rule 529(b)(1)(i) has been revised to provide for immediate routing of a Public Customer order if the displayed NBBO was crossed upon receipt of the initiating Public Customer order. Rule 529(b)(2)(i) has been revised to change Priority Customer to Public Customer, to clarify what is being broadcast during the Route Notification, and to clarify that if unexecuted contracts remain from the initiating order, the MBBO will be revised and disseminated to reflect the initiating order’s displayed price and remaining contracts. Rule 529(b)(2)(ii) has been revised to (1) clarify how certain same side of the market order and eQuote types are handled when they are received during the Route Timer; and (2) clarify that if the NBBO becomes crossed during the Route Timer, the timer will terminate immediately. Also during the timer, same side Immediate or Cancel (IOC), Fill-or-Kill (FOK) and Auction or Cancel (AOC) orders and AOC eQuotes will be cancelled or rejected.

MIAX Rule 529, as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of CBOE Rule 6.14B and 6.14(b) and ISE Rule 803 Suppl. Material .02. The changes made to Rule 529 are consistent with the Act in that they clarify the operation of the Exchange’s routing rule. Rule 529 is consistent with the Act in that it allows MIAX to provide more efficient and competitive executions for such orders.

- <sup>36</sup> Clarifying changes to Rule 514 in addition to those discussed herein include the following. Rule 514(d) (Additional Priority Overlays Applicable to the Pro-Rata Allocation Method) has been revised to indicate that the priority overlays will only be available when the pro-rata allocation methodology is being used. Rule 514(i)(1)(iii) and (i)(4) have been revised to clarify that the Primary Lead Market Maker and Directed Lead Market Maker entitlements will only be used when the pro-rata allocation methodology is being used. The changes made to Rule 514 are consistent with the Act in that they clarify the when priority overlays will be used, which together with the pro-rata allocation methodology enhances incentives to quote competitively in large sizes.
- <sup>37</sup> See notes 36, 38 and 39.
- <sup>38</sup> Rule 514(d)(2) has been revised to clarify that the Market Turner will only be eligible for priority for a disseminated price and the Market Turner overlay will never be in effect in conjunction with other priority overlays. Specifically, Rule 514(d)(2) (Market Turner) provides: Market Turner means a market participant that was the first to enter an order or quote at a better price than the previous best disseminated Exchange price and such order or quote is continuously in the market until the order or quote trades. There may be a Market Turner for each price at which a particular order trades. When this priority overlay is in effect, the Market Turner has priority at the highest bid or lowest offer that he established. The Market Turner priority at a given price remains with the order or quote once it is earned. For example, if the market moves in the same direction as the direction in which the order from the Market Turner moved the market, and then the market moves back to the Market Turner’s original price, the Market Turner retains priority at the original price. Market Turner priority cannot be established until after the opening

---

transaction and/or the conclusion of the opening process and, once established, shall remain in effect until the conclusion of the trading session. The Market Turner overlay will never be in effect in conjunction with other priority overlays. The Exchange may determine, on a class-by-class basis, to reduce the Market Turner priority to a percentage of each inbound order that is executable against the Market Turner. In such cases, the Market Turner may participate in the balance of an order after the Market Turner priority has been applied. To the extent the Market Turner order or quote is not fully exhausted; it shall retain Market Turner priority for subsequent inbound orders until the conclusion of the trading session.

MIAX Rule 514(d)(2) as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of C2 Rule 612(b)(1) and CBOE Rule 6.45A(a)(ii)(2). The changes made to Rule 514(d) are consistent with the Act in that they provide incentives to quote competitively. See Securities Exchange Act Release No. 47628 (April 3, 2003) 69 FR 17697 (April 10, 2003) Order approving SR-CBOE 2000-55, which provides that the Market Turner overlay was consistent with the Act.

- <sup>39</sup> MIAX Rule 514(e) (Precedence of Market Maker Quotes and Orders), provides the following: After executions resulting from Priority Overlays set forth in paragraph (d) above, when the pro-rata allocation method applies (1) If there is other interest at the NBBO, after all Priority Customer Orders (if any) at that price have been filled, executions at that price will be first allocated to other remaining Market Maker priority quotes, which have not received a participation entitlement, and have precedence over Professional Interest. (2) If after all Market Maker priority quotes have been filled in accordance with (1) above and there remains interest at the NBBO, executions will be allocated to all Professional Interest at that price. Professional Interest is defined in Rule 100 and includes among other interest, Market Maker non-priority quotes (as described in Rule 517(b)(1)(ii)) and Market Maker orders in both assigned and non-assigned classes.

Rule 514(e), as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of PHLX Rule 1014(g)(vii)(B)(1)(d) and BX Rule Chapter VI, Section 10(1)(C) (effective November 1, 2012). The changes made to Rule 514 are consistent with the Act in that they clarify the when priority overlays will be used, which together with the pro-rata allocation methodology enhances incentives to quote competitively in large sizes.

- <sup>40</sup> Exhibit E at Section E. Execution, Reporting, Clearance and Settlement Procedures.

- <sup>41</sup> Exhibit E provides that execution of ISOs on the Exchange will be handled in accordance with the Exchange Rules governing the allocation among participants to the execution. For example, a Market Maker complying with the priority quote standards will have precedence over all Professional Interest in the allocation of an ISO execution, including an ISO execution that has traded through the NBBO.

As under the rules of other exchanges, MIAX does not provided for a different execution allocation for ISOs. None of the rules of the following exchanges contain any rules specifying an allocation of ISOs in a different manner than the allocation methodology for other types of orders: AMEX, CBOE, C2, ISE, NOM, NASDAQ OMX BX, NASDAQ OMX PHLX.

- <sup>42</sup> ISE Letter at page 4.

- <sup>43</sup> Rule 517(b)(1)(i) Priority Quotes. To be considered a priority quote, at the time of execution, each of the following requirements must be met:

---

(A) the bid/ask differential of a Market Maker's two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Rule 603(b)(4));

(B) the initial size of both of the Market Maker's bid and the offer must be in compliance with the requirements of Rule 604(b)(2);

(C) the bid/ask differential of a Market Maker's two-sided quote pair must meet the priority quote width requirements defined in subparagraph 517(b)(1)(ii) for each option class; and

(D) either of the following are true:

1. At the time a locking or crossing quote or order enters the System, the Market Maker's two-sided quote pair must be valid width and must have been resting on the Book; or

2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote already existing (i.e., exclusive of the Market Maker's new marketable quote or update) among his two-sided quotes.

The changes made to Rule 517 are consistent with the Act in that they clarify the standards necessary for a priority quote and provide incentives for Market Makers to provide tighter markets.

- <sup>44</sup> When the priority quote width is set the same as the requirements under Rule 603(b)(4), under Rule 514(e) (Precedence of Market Maker Quotes and Orders) after executions resulting from priority overlays set forth in subparagraph (d) of Rule 514 (Priority Customer Order overlay, market turner overlay, Primary Lead Market Maker overlay, Directed Lead Market Maker overlay) Market Maker priority quotes will have precedence over other Professional Interest. The operation of MIAX Rule 514(e) and Rule 603(b)(4) is similar to the operation of PHLX Rule 1014(g)(vii)(B)(1)(d) and BX Rule Chapter VI, Section 10(1)(C) (effective November 1, 2012). The changes made to Rule 517 and 602 are consistent with the Act. Rule 517 provides standards for determining priority quotes, which are designed to provide incentives for Market Makers to make tighter markets. Rule 602 increases the number of market makers eligible to meet such standards which fosters competition.
- <sup>45</sup> Other exchanges similarly set an upper limit an aggregate number of Market Makers that may quote in each class of options. The CBOE limit is fifty under CBOE Rule 8.3A Interpretations and Policies: .01(a).
- <sup>46</sup> ISE Letter at page 4.
- <sup>47</sup> NASDAQ OMX Letter at page 2.
- <sup>48</sup> NASDAQ OMX noted that proposed Rule 503(h) and (i) use the term "may" without specifying whether a different procedure could be used. The original language of Rule 503(b) which includes "may" is the same language set forth in PHLX subsection (h) of Rule 1017 (Openings in Options) which states - "the procedure described in this Rule may be used to re-open an option after a trading halt." (Emphasis added). Nevertheless, MIAX has revised the language in MIAX Rule 503(b) from "may" to "will." In addition, NASDAQ OMX commented that MIAX should specify how a closing procedure will be employed after the close of the market on an electronic market when most exchange and broker-dealer systems are not anticipating activity, such as imbalance messages. NASDAQ OMX Letter at page 2. MIAX had included a closing rotation procedure in Rule 503(i) as a precaution, to be used in the event of a trading halt in a proprietary product where the Exchange may have been required to have a process to establish closing prices. Since the likelihood of such an event will not come into play until MIAX has proprietary products, which it does not have at this time, Rule 503(i) has been eliminated. Rule 503(h) has been eliminated as duplicative with Rule 503(b).

- 
- <sup>49</sup> “Market for the underlying security” is defined in MIAX Rule 503(d) as either the primary listing market, the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), or the first market to open the underlying security, as determined by the Exchange on a class-by-class basis and announced to the Members through a Regulatory Circular. The market for the underlying security shall in most cases be the primary listing market. MIAX Rule 503(e)(1) as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of PHLX Rule 1017(j). The changes made to Rule 503(d) are consistent with the Act in that they provide greater specificity to the rule.
- <sup>50</sup> See text at note 58.
- <sup>51</sup> Rule 514(j) (Notification of Priority Customer Interest on the Book) has been eliminated and replaced with Rule 506(c) (Notification of Public Customer Interest on the Book). Rule 506(c) (Notification of Public Customer Interest on the Book) provides the Exchange will make available to subscribers to its data feeds and to all market participants through OPRA, an indication that there is Public Customer interest included in the MBBOs disseminated by the Exchange. MIAX has added this provision to take advantage of the additional “message type” offered by OPRA and to provide the same information to subscribers of its market data feeds. For more information about the “message type” offered by OPRA, see the OPRA Data Recipient Interface Specification, which is available on the OPRA website ([www.opradata.com](http://www.opradata.com)) under “Output Specs—FAST or OPRA”. The OPRA Data Recipient Interface Specification indicates on page 26, that the information is provided and the Message Type codes B, O or C for “Bid contains Customer trading interest”, “Offer contains Customer trading interest” and “Both bid and offer contains Customer trading interest”. The changes made to Rule 506(c) are consistent with the Act in that they provide additional information for all market participants regarding orders on the Exchange.
- <sup>52</sup> NASDAQ OMX noted that proposed Rule 510 covers the penny pilot in options, but does not contain a date for the end of the penny pilot. NASDAQ OMX Letter at pages 3-4. Rule 510 has been revised to include a date for the end of the penny pilot (December 31, 2012). At the time of filing the Form 1 on April 26, 2012, the penny pilot at other exchanges was scheduled to expire June 30, 2012. The date for the end of the penny pilot set forth in MIAX Rule 510 is also December 31, 2012 as per the rules on the following exchanges: BOX Rule 7260; BX Chapter VI Section 5(a)(3); C2 Rule 6.4(3); CBOE Rule 6.42(3); ISE Rule 710 Supp. .01; and NYSE AMEX Rule 960NY Commentary .02.
- <sup>53</sup> Rule 511 (Acceptance of Quotes and Orders) covers the same and provides “All bids or offers made and accepted on the Exchange in accordance with the Rules shall constitute binding contracts, subject to applicable requirements of the Rules and the Rules of the Clearing Corporation.”
- <sup>54</sup> MIAX Rule 514(g)(2), as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of ISE Rule 713 Supp. 01(c). The changes made to Rule 514(g)(2) are consistent with the Act in that it provides greater specificity to the rule governing the allocation of the small size orders.
- <sup>55</sup> MIAX Rule 514(h), as set forth in the Application and as revised and clarified in Amendment No. 1, is similar to the operation of the following: CBOE Rules 8.13 and 6.45A(a)(ii)(2); C2 Rules 6.12(a)(3)(B) and 8.13; ISE Rule 713 Supp. 03 and 811; NYSE AMEX Rule 964.1NY; and PHLX Rules 1014(b)(viii). The changes made to Rule 514(h) are consistent with the Act in that it provides greater specificity to the rule governing the use of directed orders.

- <sup>56</sup> NASDAQ OMX Letter at page 4.
- <sup>57</sup> MIAX Rule 507, as revised and clarified in Amendment No. 1, is similar to the operation of ISE Rule 707. The changes made to Rule 507 are consistent with the Act in that it balances the need for Members to provide information regarding the change in identity of a transaction's Clearing Member with the burden of providing that information.
- <sup>58</sup> NASDAQ OMX Letter at page 2.
- <sup>59</sup> MIAX Rule 516, as revised and clarified in Amendment No. 1 states that MIAX may choose which order types, as defined in the rules, may be available for use on the Exchange, and notification of changes to which order types are available on the Exchange would be provided via a Regulatory Circular. Additional new order types not currently defined in the Rules would be subject to a new rule filing. This rule is similar to the operation of C2 Rule 6.10. The changes made to Rule 516 are consistent with the Act in that they further clarify the process for notifying members of new order types.
- <sup>60</sup> NASDAQ OMX Letter at page 3.
- <sup>61</sup> NASDAQ OMX Letter at page 3.
- <sup>62</sup> NASDAQ OMX Letter at page 4.