



April 10, 2019

Vanessa Countryman  
Acting Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: MIAX, MIAX Pearl, and MIAX Emerald Connectivity Fee Increases; File Nos. SR-MIAX-2019-10; SR-PEARL-2019-08; SR-Emerald-2019-11

Dear Ms. Countryman:

Investors Exchange LLC (“TEX”) is pleased to comment on the above-referenced rule filings (“MIAX Filings”) by Miami International Securities Exchange LLC, MIAX PEARL, LLC, and MIAX EMERALD, LLC (collectively, “MIAX”) concerning increased fees for direct connectivity to MIAX systems.<sup>1</sup> We believe that these filings raise important and complicated issues that deserve further consideration, and, therefore, we believe the Commission should institute proceedings to determine whether to approve or disapprove the proposed rule changes and allow further comment in light of the Commission’s recent order disapproving similar fee increases by BOX Exchange LLC (the “BOX Order”).<sup>2</sup>

The MIAX fee increases are very similar in scope to those addressed in the BOX Order and raise many of the same issues. The BOX Order, which contains a detailed discussion about how exchanges may seek to justify market data and connectivity fee increases, was issued less than two weeks ago. MIAX submitted a letter addressing the points raised in the BOX Order on April 5, which was just posted to the Commission’s website yesterday, April 9, one day before the period for public comment on the MIAX Filings expires.<sup>3</sup>

Accordingly, we think that more time for public comment is warranted. We appreciate that MIAX has provided more transparency and analysis in these filings than other exchanges have sought to do for their own fee increases. Without attempting to address all the issues raised, however, we respectfully think that the existing record does not provide a basis for determining that the increases are consistent with the Securities Exchange Act of 1934.

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<sup>1</sup> Securities Exchange Act Release Nos. 85318, 85317, and 85316 (March 14, 2019).

<sup>2</sup> See Securities Exchange Act Release No. 85459; File No. SR-BOX-2019-04 (March 29, 2019), 84 FR 13363 (April 4, 2019).

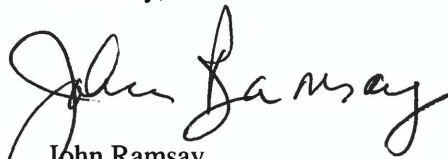
<sup>3</sup> Letter from Joseph W. Ferraro III, SVP and Deputy General Counsel, MIAX, to Vanessa Countryman, Acting Secretary, SEC (April 5, 2019) (“Ferraro Letter”).

MIAX argues both that its fees for connectivity are constrained by competition and that they are justified because of certain increased costs incurred by MIAX. For example, in support of its argument about competition, MIAX asserts that it accounts for only about 10% of the options market, it has fewer members than some other options exchanges, and not all its members pay for direct connectivity. Although these factors may be relevant, we believe that these points do not resolve the question of whether electronic market makers in options, for example, could choose not to be connected to MIAX. In this regard, it would be useful to know, among other things, what percentage of trading volume on MIAX is accounted for by firms with direct connections and by firms with more expensive 10Gb connections. Similarly, we do not believe, as MIAX suggests, that the fact that none of its members chose to disconnect after the fees were raised supports the proposition that competition constrains MIAX's ability to increase these fees.<sup>4</sup>

With regard to increases in exchange costs, we think as a general matter that an exchange that is seeking to rely on this factor to justify fee increases should be prepared to provide data on the exchange's actual costs and explain how those specific costs relate to the product or service in question. For example, MIAX cites to increases in personnel costs related to infrastructure and data center costs, among others, but it does not provide the dollar amount of total costs or increases for these items, and it is not clear from the information provided how they specifically relate to MIAX's connectivity products. Recently, IEX voluntarily published a cost study that provides an example of how exchanges can estimate their direct costs of offering connectivity and market data products.<sup>5</sup> Although MIAX need not follow our specific methodology, providing a similar level of detail on cost components in relation to fees would provide a better basis for its members and the public to evaluate their cost-based justifications.

Finally, it would be helpful to understand whether and how MIAX considered changes to transaction fees as an alternative to increases in subscription fees in offsetting exchange costs. If MIAX determined that it could not increase transaction fees as a competitive matter, understanding why that is the case and why it decided that increasing connectivity fees provided a more viable way of raising revenue could itself be enlightening, because it bears directly on whether pricing for market data and connectivity is truly competitive in today's market structure.

Sincerely,



John Ramsay  
Chief Market Policy Officer

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<sup>4</sup> Ferraro Letter, at 11-12.

<sup>5</sup> See IEX, The Cost of Exchange Services (January 2019), avail. at <https://iextrading.com/docs/The%20Cost%20of%20Exchange%20Services.pdf>.

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cc: Mr. Brett Redfearn, Director, Division of Trading and Markets  
Mr. Christian Sabella, Deputy Director, Division of Trading and Markets  
Mr. David S. Shillman, Associate Director, Division of Trading and Markets  
Mr. John Roeser, Associate Director, Division of Trading and Markets