MIAX *Options*™

February 5, 2013

Via Electronic Mail

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

>   **Re:** **SR-MIAX-2013-12, Proposed Rule Change by Miami International
>   Securities Exchange LLC Relating to Obvious Errors in Limit or Straddle
>   States**
>
>   **Options Exchange Data Request**

Dear Ms. Murphy:

The Miami International Securities Exchange LLC ("MIAX" or "Exchange") is in receipt of the Options Exchange Data Request (the "Request") from the Commission's Division of Trading and Markets (attached hereto as Appendix A) and is submitting this correspondence in response.

MIAX will comply with the Request, and understands the following based upon conversations with Division staff:

- The Exchange will provide to the SEC assessments relating to the impact of the operation of the obvious error rules during Limit and Straddle States no later than two months prior to the end of the Pilot Period, but may do so sooner if it has sufficient data to make the enumerated assessments.

- Each month the exchange shall provide to the SEC and the public a dataset containing the data for each Straddle and Limit State in affected stocks. Such data will be submitted on or before the last day of the calendar month following the month to which the data applies.

- In the event of a consecutive series of Limit States and Straddle States, the Exchange will consider such a series to be one single event for purposes of data reporting. Such an event will be identified by the last State that exists before normal trading conditions resume in the affected option.

- The Exchange understands the meaning of the following terms used in the Request:

  o "Contract volume" means the total contract volume on MIAX for a particular trading session;

  o "Time-weighted" refers to the duration of the Limit or Straddle State;

  o "Quoted bid-ask spread" means the MIAX Best Bid and Offer submitted to OPRA;

  o "Quoted depth at the bid" and "quoted depth at the offer" mean the size of each that is disseminated during the Limit or Straddle State;

  o "High execution price" and "low execution price" refer to executions on MIAX during a Limit State or Straddle State;

  o "Halt" means any trading halt.

MIAX represents that it will comply with the attached Request based upon its understandings as outlined herein. If you have any questions or comments, please contact me at (609) 897-7312.

Sincerely,
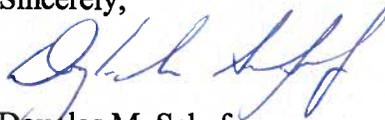
Douglas M. Schafer
Executive Vice President
Chief Information Officer

DMS/rsr

Appendix A

Obvious and Catastrophic Errors (CE) during Straddle and Limit States
Options exchanges data request

The main concern of the Commission is whether market quality and liquidity for options is maintained despite changes to the obvious error rules. To evaluate this, we will request that the exchanges monitor market quality, liquidity, and other metrics listed below during straddle/limit states.

Therefore, we are requesting that the options exchanges evaluate the impact of Limit and Straddle States on liquidity and market quality in the options markets.

At least two months prior to the end of the Pilot Period, the exchange shall provide to the SEC assessments relating to the impact of the operation of the obvious error rules during Limit and Straddle States as follows:

1. Evaluate the statistical and economic impact of Straddle States on liquidity and market quality in the options markets.
2. Assess whether the lack of obvious error rules in effect during the Straddle and Limit States are problematic.

Each month the exchange shall provide to the SEC and the public a dataset containing the data for each Straddle and Limit State in optionable stocks. For each stock that reaches a straddle state, the number of options included in the dataset can be reduced by selecting options which meet the following conditions:

- The options are more than 20% in the money (strike price remains < 80% of last stock trade price for calls and strike price remains > 120% of last stock trade price for puts when the Straddle or Limit state is reached)
- Option has at least 2 trades during the Straddle or Limit state
- The top 10 options (as ranked by overall contract volume on that day) meeting the conditions above

For each of those options affected, each data record should contain the following information:

- Stock symbol, option symbol, time at the start of the straddle or limit state, an indicator for whether it is a straddle or limit state,
- For activity on the exchange:
  o executed volume, time-weighted quoted bid-ask spread, time-weighted average quoted depth at the bid, time-weighted average quoted depth at the offer,
  o high execution price, low execution price,
  o number of trades for which a request for review for error was received during Straddle and Limit States,
  o an indicator variable for whether those options outlined above have a price change exceeding 30% during the underlying stock's Limit or Straddle state

compared to the last available option price as reported by OPRA before the start of the Limit or Straddle state (1 if observe 30% and 0 otherwise). Another indicator variable for whether the option price within five minutes of the underlying stock leaving the Limit or Straddle state (or halt if applicable) is 30% away from the price before the start of the Limit or Straddle state.