PARALLAX
VOLATILITY ADVISERS

July 6, 2018

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: SR-MIAX-2018-11 Position and Exercise Limits in SPY

Dear Mr. Fields:

The proposed position and exercise limits of 1,800,000 SPY options contracts on the same side of the market has the potential to adversely impact liquidity in SPY options, particularly in the event of increased market volatility.

As noted in the filing, SPY is more liquid than QQQ which has a limit of 1,800,000 contracts. SPY has a market capitalization nearly four times larger than QQQ and trades, on average, more than three times as many shares per day. In addition, SPX cash settled options, which reference the same underlying index, have no position limits.

We believe the best long term solution for the industry would be the implementation of delta based position limits or a delta hedging exemption from position limits for customers, similar to SR-CBOE-2009-039 https://www.sec.gov/rules/sro/cboe/2009/34-60555.pdf that was approved by the SEC in 2009, but never implemented by CBOE, nor adopted by other exchanges.

In the absence of a delta based position limit or hedge exemption, we would urge the Commission and exchanges to continue with the pilot program, or consider a limit of least 3,600,000 contracts.

As this is an issue that impacts the customers of U.S. options exchanges, and is not a competitive matter, exchanges should be able to work together to come up with an industrywide solution in a similar fashion to the recent proposal on options market structure from CBOE, SIFMA, and STA. https://www.sifma.org/wp-content/uploads/2018/06/Cboe-Joint-Letter-with-SIFMA-and-The-STA-on-Options-Market-Structure.pdf

I would welcome the opportunity to discuss this with you or anyone at the Commission at your convenience.

Sincerely,

William Bartlett

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