

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69457; File No. SR-MIAX-2013-17)

April 25, 2013

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Increase the Position and Exercise Limits for Options on iShares MSCI Emerging Markets Index Fund

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 16, 2013, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend its rules to increase the position and exercise limits for options on iShares MSCI Emerging Markets Index Fund (“EEM”).

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend Rule 307, Interpretations and Policies .01 and Rule 309, Interpretations and Policies .01 to increase position and exercise limits, respectively, for EEM options.

Position limits for exchange-traded fund (“ETFs”) options, such as EEM options, are determined pursuant to Rule 307 and vary according to the number of outstanding shares and trading volume during the most recent six-month trading period of the underlying stock or ETF. The largest in capitalization and most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market. The current position limit for EEM options is 250,000 contracts. The purpose of the proposed rule change is to amend Rules 307 and 309 to increase the position and exercise limits for EEM options to 500,000 contracts. As discussed below, EEM is an actively-traded ETF and there is precedent for establishing position limits for options on actively-traded ETFs. Position limit levels for actively-traded ETFs are set forth in Rule 307, Interpretations and Policies .01.³

³ Rule 307, Interpretations and Policies .01, provides for exceptions to standard position limits as follows: put or call option contracts overlying the PowerShares QQQ Trust (“QQQQ”), for which the position limit is currently 900,000 contracts on the same side of the market; options overlying the Standard and Poor’s Depository Receipts® Trust

This proposed increase in position and exercise limits for EEM options has been adopted by the Chicago Board Options Exchange, Incorporated (“CBOE”), BOX Options Exchange LLC (“BOX”), International Securities Exchange, LLC (“ISE”), NASDAQ OMX PHLX, LLC (“PHLX”), NYSE MKT LLC (“NYSE Amex Options”), and NYSE Arca, Inc. (“NYSE Arca”)⁴.

In support of this proposed rule change, the following trading statistics compare EEM to IWM and SPY, which are both actively-traded ETF options with exceptions to the standard position and exercise limits. As shown on the table below, the average daily volume in 2012 for EEM was 49.4 million shares compared to 45.7 million shares for IWM and 143 million shares for SPY. The total shares outstanding for EEM was 1,182 million compared to 220 million shares for IWM and 820.5 million shares for SPY. Further, the fund market cap for EEM was \$52.19 billion compared to \$18.35 billion for IWM and \$125.63 billion for SPY.

ETF	2012 ADV (mil. Shares)	2012 ADV (option contracts)	Shares Outstanding—as of January 31, 2013 (Mil.)	Fund Market Cap as of January 31, 2013 (\$bil)
EEM	49.4	255,096	1,182	\$52.19
IWM	45.7	494,150	220	\$18.35
SPY	143	2,325,188	820.5	\$125.63

(“SPY”), which currently does not have any position limits; options overlying the iShares® Russell 2000® Index Fund (“IWM”), for which the position limit is currently 500,000 contracts on the same side of the market; and options overlying the Diamonds Trust (“DIA”), for which the position limit is currently 300,000 contracts on the same side of the market.

⁴ See Securities Exchange Act Release No. 68086 (October 23, 2012), 77 FR 65600 (October 29, 2012) (SR-CBOE-2012-066); Securities Exchange Act Release No. 68478 (December 19, 2012), 77 FR 76132 (December 26, 2012) (SR-BOX-2012-023); Securities Exchange Act Release No. 68398 (December 11, 2012), 77 FR 74700 (December 17, 2012) (SR-ISE-2012-093); Securities Exchange Act Release No. 68293 (November 27, 2012), 77 FR 71644 (December 3, 2012) (SR-Phlx-2012-132); Securities Exchange Act Release No. 68358 (December 5, 2012), 77 FR 73708 (December 11, 2012) (SR-NYSEMKT-2012-071); and Securities Exchange Act Release No. 68359 (December 5, 2012), 77 FR 73716 (December 11, 2012) (SR-NYSEArca-2012-132).

The MSCI Emerging Markets Index, which has approximately 800 component securities, is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.⁵ MIAX does not currently trade options on EEM, however, MIAX anticipates listing such options in the near future. Since MIAX's listing standards for options on ETFs holding non-U.S. component securities⁶ are identical to the listing standards at the other options exchanges that currently trade EEM options, MIAX anticipates its analysis of EEM and the MSCI Emerging Markets Index, which will be undertaken prior to its listing of options on EEM, will confirm that more than 50% of the weight of the securities held by EEM are subject to a comprehensive surveillance agreement ("CSA").⁷ Additionally, MIAX will confirm that the component securities of the MSCI Emerging Markets Index, on which EEM is based, and for which the primary market is in any one country that is not subject to a CSA, do not represent 20% or more of the weight of the MSCI Emerging Markets Index.⁸ Finally, MIAX will confirm that the component securities of the MSCI Emerging Markets Index for which the primary market is in any two countries that are not subject to CSAs do not represent 33% or more of the weight of the MSCI Emerging Markets Index.⁹

⁵ See <http://www.msci.com/products/indices/tools/index.html#EM>.

⁶ See MIAX Rule 402(i).

⁷ See MIAX Rule 402(i)(5)(ii)(A).

⁸ See MIAX Rule 402(i)(5)(ii)(B).

⁹ See MIAX Rule 402(i)(5)(ii)(C).

The Exchange believes that the liquidity in the underlying ETF and the liquidity in EEM options support its request to increase the position and exercise limits for EEM options. As to the underlying ETF, through January 31, 2013, the year-to-date average daily trading volume for EEM across all exchanges was 50.9 million shares. As to EEM options through January 31, 2013, the year-to-date average daily trading volume for EEM options across all exchanges was 317,399 contracts. The Exchange believes that increasing position limits for EEM options will lead to a more liquid and competitive market environment for EEM options that will benefit customers interested in this product.

Under the Exchange's proposal, the options reporting requirement for EEM options will remain unchanged. Thus, the Exchange will still require each Member that maintains a position in EEM options on the same side of the market, for its own account or for the account of a customer, to report certain information to the Exchange. Specifically, Rule 310 governs position limit reporting requirements and provides, in paragraph (a), that Members must report information with respect to any customer or Member account holding in the aggregate long or short positions of 200 or more option contracts of a single class. Paragraph (b) of Rule 310 further requires Electronic Exchange Members¹⁰ to provide additional information for end of day option positions in excess of 10,000 option contracts on the same side of the market. This additional information includes, but is not limited to, the option position, whether such position is hedged and, if so, a description of the hedge, and the collateral used to carry the position. Each of these reporting requirements will remain at the current levels for EEM options. The Exchange believes that the existing surveillance procedures and reporting requirements are

¹⁰ An Electronic Exchange Member is defined in Rule 100 as "the holder of a Trading Permit who is not a Market Maker". Thus, Rule 310(b) does not apply to Market Makers. Market Maker position limit information is accessed and monitored through the Exchange's market surveillance systems.

capable of properly identifying unusual and/or illegal options trading activity. These procedures utilize daily monitoring of market movements via automated surveillance techniques to identify unusual activity in both options and underlying stocks. Furthermore, large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G.¹¹ Options positions are part of any reportable positions and, thus, cannot be legally hidden. Moreover, the Exchange's requirement that Members file reports with the Exchange for any customer who held aggregate large long or short positions of any single class for the previous day will continue to serve as an important part of the Exchange's surveillance efforts.

The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns that a Member or its customer may try to maintain an inordinately large un-hedged position in an option, particularly on EEM. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a Member must maintain for a large position held by it or by its customer.¹² In addition, the Commission's net capital rule, Rule 15c3-1¹³ under the Securities Exchange Act of 1934 (the "Act"), imposes a capital charge on members to the extent of any margin deficiency resulting from the higher margin requirement.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁵ in particular, in that it is

¹¹ 17 CFR 240.13d-1.

¹² See MIAX Rule 1502.

¹³ 17 CFR 240.15c3-1.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest, and it is not designed to permit unfair discrimination among customers, brokers, or dealers.

Specifically, the proposed rule change will benefit large market makers (which generally have the greatest potential and actual ability to provide liquidity and depth in the product), as well as retail traders, investors, and public customers, by providing them with a more effective trading and hedging vehicle. In addition, the Exchange believes that the structure of EEM options and the considerable liquidity of the market for EEM options diminish the opportunity to manipulate this product and disrupt the underlying market that a lower position limit may protect against. The Exchange also believes that the proposed rule change will benefit a greater number of market participants who are MIAX Members and members of other exchanges. This is because EEM is a multiply-listed options class and currently there is not a uniform and consistent position and exercise limits regime across all of the exchanges that list EEM options. The proposed filing will benefit market participants because it will ensure consistency and uniformity among the competing options exchanges as to the position and exercise limits for a multiply listed options class.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a

competitive response to changes put in place at other options exchanges. MIAX believes this proposed rule change is necessary to permit fair competition among the options exchanges and to establish uniform position limits for a multiply listed option class.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁶ and Rule 19b-4(f)(6) thereunder.¹⁷

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that it can increase the position and exercise limits for EEM options immediately, which will result in consistency and uniformity among the competing options exchanges as to the position and exercise limits for EEM options. The Commission believes that waiving the 30-day operative

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has fulfilled this requirement.

delay is consistent with the protection of investors and the public interest.¹⁸ The Commission notes the proposal is substantively identical to a proposal that was recently approved by the Commission, and does not raise any new regulatory issues.¹⁹ For these reasons, the Commission designates the proposed rule change as operative upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2013-17 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MIAX-2013-17. This file number should be

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁹ See Securities Exchange Act Release No. 68086 (October 23, 2012), 77 FR 65600 (October 29, 2012) (SR-CBOE-2012-066).

included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MIAX-2013-17 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Kevin M. O'Neill
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).