

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71202; File No. SR-MIAX-2013-61)

December 30, 2013

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand the Short Term Option Series Program

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 December 23, 2013, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a 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 Rule 404 (Series of Options Open for Trading) to expand the Short Term Option Series Program (“STOS Program”).³

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ STOS, also known as “weekly options” as well as “Short Term Options”, are series in an options class that are approved for listing and trading on the Exchange in which the series are opened for trading on any Thursday or Friday that is a business day and that expire on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. For STOS Program Rules see Rule 404 and 404.02.

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 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 Exchange is proposing to amend Interpretation and Policy .02 to Rule 404 consistent with a recently approved filing by NASDAQ OMX PHLX, LLC (“PHLX”).⁴ In particular, the Exchange proposes to expand the STOS Program so that the Exchange may: change the current thirty option class limitation to fifty option classes on which STOS may be opened; match the parameters for opening initial and additional STOS strikes to what is permissible per the Options Listing Procedures Plan (“OLPP”);⁵ open up to thirty initial series for each expiration date in an

⁴ See Securities Exchange Act Release No. 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (SR-PHLX-2013-101).

⁵ The full name of the OLPP (which is applicable to all option exchanges) is Plan For The Purpose of Developing and Implementing Procedures Designed to Facilitate the Listing and Trading of Standardized Options Submitted Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934. With regard to the listing of new series on equity, ETF, or trust issued receipt (“TIRs”) option classes, subsection 3.(g)(i) of the OLPP states, in relevant part, that the exercise price of each option series listed by an exchange that chooses to list a series of options (known as the Series Selecting Exchange) shall be fixed at a price per share which is reasonably close to the price of the underlying equity security, ETF, or TIR at or about the time the Series Selecting Exchange determines to list such series. Except as provided in subparagraphs (ii) through (iv) of the OLPP, if the price of the underlying security is less than or equal to \$20, the Series Selecting Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. If the price of the underlying security is

STOS class; add a STOS strike price interval of \$2.50 or greater where the strike price is above \$150; and in general harmonize the different parts of the STOS Program (e.g., initial listings and additional series).

The STOS Program is codified in Interpretation and Policy .02 to Rule 404. These rules currently provide that after an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day series of options on no more than thirty option classes that expire on each of the next five consecutive Fridays that are business days. In addition to the thirty-option class limitation, there is also a limitation that no more than twenty initial series for each expiration date in those classes may be opened for trading; provided, however, that the Exchange may open up to 10 additional series when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.⁶

Furthermore, the strike price of each STOS has to be fixed with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the STOS are initially opened for trading on the Exchange, and with strike prices being within thirty percent (30%) above or below the closing price of the underlying security from the preceding day. In terms of the strike price intervals, the STOS Program currently allows the interval between strike prices on STOS to be (i) \$0.50 or greater where the

greater than \$20, the Series Selecting Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security. Subsection 3.(g)(i) of the OLPP indicates that an option series price has to be reasonably close to the price of the underlying security and must not exceed a maximum of 50% or 100%, depending on the price, from the underlying. The Exchange's proposal, while conforming to the current structure of the Exchange's STOS Rules, is similar in practical effect to the noted OLPP subsection.

⁶ See Exchange Rule 404.02(c) and (d).

strike price is less than \$75, and \$1 or greater where the strike price is between \$75 and \$150 for all classes that participate in the STOS Program; or (ii) \$0.50 for option classes that trade in one dollar increments, i.e., in the Related non-STOS,⁷ and are in the STOS Program. This proposal retains many of the fundamental limitations of the STOS Program while proposing specific changes as described below.

The Proposal

First, the Exchange proposes to increase the number of STOS classes that may be opened after an option class has been approved for listing and trading on the Exchange. Specifically, the Exchange proposes in Interpretation and Policy .02(a) to Rule 404 that the Exchange may select up to fifty currently listed option classes on which STOS may be opened. The Exchange also proposes in Interpretation and Policy.02(c) to Rule 404 that for each option class eligible for participation in the STOS Program, the Exchange may open up to thirty initial series for each expiration date in that STOS class. Currently MIAX rules permit the Exchange to list up to twenty initial series, and up to ten additional series, for each option class that participates in the STOS program.⁸ While the MIAX may currently list thirty STOS series total, the Exchange is proposing to increase the number of initial series that it may list in order to remain competitive with other exchanges. The Exchange will continue to be limited to a total of thirty STOS, including both initial and additional series, and is proposing amendments to Interpretation and Policy .02(d) to Rule 404 to reflect the fact that the Exchange may only open additional series if it has opened fewer than thirty initial series. The Exchange believes that this proposed moderate increase in the number of STOS classes and initial STOS series is needed and advisable in light

⁷ Related non-STOS are non-STOS that have similar options with longer expiration cycles (e.g., monthly Apple (AAPL) options would be Related non-STOS to weekly AAPL options).

⁸ See Interpretation and Policy .02(c) and (d) to Rule 404.

of the demonstrated acceptance and popularity of the STOS Program among market participants, as discussed below.

Second, the Exchange proposes changes to Interpretation and Policy .02(c) and (d) to Rule 404 to indicate that any initial or additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.⁹ This proposal is in line with the process for adding new series of options found in subsection 3.(g)(i) of the OLPP, and harmonizes the STOS Program internally by adopting consistent parameters for opening STOS and listing additional strike prices. The Exchange believes that this proposal is a reasonable and desirable enhancement to the STOS Program.

Third, the Exchange proposes additional changes to Interpretation and Policy .02(d) to indicate that if the Exchange has opened less than thirty series for an STOS expiration date, the Exchange may also open additional strike prices of STOS that are more than 50% above or below the current price of the underlying security if the price is greater than \$20, provided that demonstrated customer interest exists for such series,¹⁰ as expressed by institutional, corporate or individual customers or their brokers. This is done to further conform the additional strike price methodology to the proposed listing parameters described above, while retaining demonstrated interest language that may be useful in unforeseen circumstances. Furthermore, Rule 404A(b)(1)

⁹ The price of the underlying security will be calculated commensurate with Rule 404A(b)(1) as amended.

¹⁰ Market Makers trading for their own account are not considered when determining customer interest.

currently states that if the price of the underlying security is greater than \$20, the Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security. Immediately before this language, the Exchange proposes to also add a carve-out that states: “Except as provided in Interpretation and Policy .02(d) to Rule 404...”

Fourth, the Exchange proposes to simplify the delisting language in Interpretation and Policy .02(d) to Rule 404, by removing the current range methodology that states, in part, that the Exchange will delist certain series “so as to list series that are at least 10% but not more than 30% above or below the current price of the underlying security.”¹¹ In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will continue to delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week.¹²

¹¹ Currently, the delisting language states: “In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration month, so as to list series that are at least 10% but not more than 30% above or below the current price of the underlying security. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the 30 allowed under Interpretations and Policies .02(a), that are between 10% and 30% above or below the price of the underlying security.” Interpretation and Policy.02(d) to Rule 404.

¹² The Exchange notes that the delisting language in Interpretation and Policy.02(d) to Rule 404 incorrectly refers to expiration months rather than weeks. With this filing the Exchange also proposes to clarify that the exchange will delist series for given expiration weeks in accordance with the criteria discussed in this rule.

Fifth, the Exchange proposes to add \$2.50 strike price intervals to the STOS Program. Specifically, the Exchange proposes in Interpretation and Policy.02(e) to Rule 404 to indicate that the interval between strike prices on STOS may be \$2.50 or greater where the strike price is above \$150. This proposed change complements the current STOS strike price intervals of \$0.50 or greater where the strike price is less than \$75 (or for STOS classes that trade in one dollar increments in the Related non-STOS), and \$1 or greater where the strike price is between \$75 and \$150. The proposed \$2.50 strike price interval addresses the issue that above a \$150 strike price STO strike price intervals must generally be an exceedingly wide \$5 or greater.¹³

The principal reason for the proposed expansion is market demand for additional STOS classes and series and a desire to make the STOS Program more effective. There is continuing strong customer demand for having the ability to execute hedging and trading strategies via STOS, particularly in the current fast and volatile multi-faceted trading and investing environment that extends across numerous markets and platforms,¹⁴ and includes market moving events such as significant market volatility, corporate events, or large market, sector, or individual issue price swings. The options industry has been requested by traders and other market participants to expand the STOS Program to allow additional STOS offerings and increased efficiency.¹⁵

In order that the Exchange not exceed the current thirty option class and twenty initial option series restriction, the Exchange has on occasion had to turn away STOS customers (traders and investors) because it could not list, or had to delist, STOS or could not open

¹³ See, e.g., Exchange Rule 404(d).

¹⁴ These include, without limitation, options, equities, futures, derivatives, indexes, ETFs, exchange traded notes, currencies, and over the counter instruments.

¹⁵ See Securities Exchange Act Release No. 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (SR-PHLX-2013-101).

adequate STOS because of restrictions in the STOS Program. This has negatively impacted investors and traders, particularly retail investors, who have continued to request that the Exchange add, or not remove, STOS classes, or have requested that the Exchange expand the STOS Program so that additional STOS classes and series could be opened that would allow the market participants to execute trading and hedging strategies. There are, as discussed, substantial benefits to market participants having the ability to trade eligible option classes within the STOS Program. Furthermore, the Exchange supports the objective of responding to customer need to enhance successful programs to make them more efficient for hedging and trading purposes. The Exchange notes that the STOS Program has been well-received by market participants, in particular by retail investors. The Exchange believes that weekly expiration options will continue to grow in importance for all market participants, including institutional and retail investors.¹⁶ The proposed revisions to the STOS Program will permit the Exchange to meet customer demand for weekly expiration options by providing a reasonable expansion to the program, and will further allow the Exchange to harmonize STOS Program Rules with the OLPP as well as internally.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the STOS Program. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange represents that it will monitor the

¹⁶ The current STOS Program, which is similar across all options markets that have weeklies programs, is in its current formulation one of the more challenging industrywide listings program to administer. Recognizing the importance of the Program, the Exchange is seeking to improve the Program for non-index STOS by making it more uniform and logical.

trading volume associated with the additional STOS classes and series listed as a result of this proposal and the effect (if any) of these additional STOS classes and series on market fragmentation and on the capacity of the Exchange's automated systems.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b)¹⁷ of the Act in general, and furthers the objectives of Section 6(b)(5)¹⁸ of the Act in particular, in that it is 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.

Specifically, the Exchange believes that expanding the classes and additional series that can be opened in the STOS Program, simplifying the delisting process, and allowing \$2.50 strike price intervals will result in a continuing benefit to investors by giving them more flexibility to closely tailor their investment and hedging decisions in greater number of securities. In addition, correcting the delisting language, which currently refers to "expiration months" instead of weeks will clarify the Exchange's Rules and reduce investor confusion.

The STOS Program has been well-received by market participants, and in particular by retail investors, and has seen increasing trading volume. The Exchange believes that the current proposed revisions to the STOS Program will permit the Exchange to meet customer demand for weekly expiration options by providing a reasonable expansion to the program, and will further

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(5).

allow the Exchange to harmonize STOS Program rules with the OLPP as well as internally to the benefit of investors, market participants, and the marketplace.

With regard to the impact of this proposal on system capacity, the Exchange believes that it and OPRA have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the STOS Program. The Exchange believes that its members will not have a capacity issue as a result of this proposal. As explained above, this proposal will afford significant benefits to market participants, and the market in general, in terms of significantly greater flexibility and increases in efficient trading and hedging options. It will also allow the Exchange to compete on equal footing with STOS Programs adopted by other options exchanges, and in particular PHLX, which has recently been granted approval to adopt substantially similar rules to those proposed here.

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. To the contrary, the Exchange believes the proposal is pro-competitive. The proposed rule change is a competitive response to a recently approved filing by the PHLX,¹⁹ which the Exchange believes is necessary to permit fair competition among the options exchanges with respect to STOS Programs. The Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general.

¹⁹ See Securities Exchange Act Release No. 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (SR-PHLX-2013-101).

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 proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁰ and Rule 19b-4(f)(6) thereunder.²¹

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that the proposal will promote fair competition among exchanges by allowing it to offer a more efficient STOS Program that is harmonized internally and externally with the OLPP and to meet customer demand for a greater number of STOS classes and strike price intervals in the same manner as other exchanges. For these reasons, the Commission believes that the proposed rule change presents no novel issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest and will allow the Exchange to remain competitive

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

with other exchanges. Therefore, the Commission designates the proposed rule change to be operative upon filing.²²

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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-2013-61 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-2013-61. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

²² 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).

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-2013-61 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.²³

Kevin M. O'Neill
Deputy Secretary

²³ 17 CFR 200.30-3(a)(12).