

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-89769; File No. SR-MIAX-2020-29)

September 4, 2020

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Its Fee Schedule to Increase the Number of Additional Limited Service MIAX Express Interface Ports Available to Market Makers

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 August 25, 2020, Miami International Securities Exchange, LLC (“MIAX Options” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III 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 the MIAX Options Fee Schedule (the “Fee Schedule”) to increase the number of additional Limited Service MIAX Express Interface (“MEI”) Ports available to Market Makers.³ The Exchange does not propose to amend the fees for additional Limited Service MEI Ports.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings>, 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 The term “Market Makers” refers to Lead Market Makers (“LMMs”), Primary Lead Market Makers (“PLMMs”), and Registered Market Makers (“RMMs”) collectively. See Exchange Rule 100.

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 proposes to amend the Fee Schedule to offer two (2) additional Limited Service MEI Ports to Market Makers. The Exchange does not propose to amend the fees charged for the additional Limited Service MEI Ports.

The Exchange initially filed the proposal to increase the number of Limited Service MEI Ports available to Market Makers on June 30, 2020, with no change to the actual fee amounts being charged.⁴ The First Proposed Rule Change was published for comment in the Federal Register on July 20, 2020.⁵ On August 25, 2020, the Exchange withdrew the First Proposed Rule Change.⁶

The Exchange notes that the First Proposed Rule Change did not receive any comment letters; however, the Exchange has determined to refile its proposal to increase the number of

⁴ See Securities Exchange Act Release No. 89317 (July 14, 2020), 85 FR 43918 (July 20, 2020) (SR-MIAX-2020-23) (the “First Proposed Rule Change”).

⁵ Id.

⁶ See Comment Letter from Christopher Solgan, VP, Senior Counsel, the Exchange, dated August 24, 2020, notifying the Commission that the Exchange will withdraw the First Proposed Rule Change.

Limited Service MEI Ports available to Market Makers (without increasing the actual fee amounts) to provide further clarification regarding the Exchange's annual cost for providing additional Limited Service MEI Ports.

Currently, MIAX assesses monthly MEI Port Fees on Market Makers based upon the number of MIAX matching engines⁷ used by the Market Maker. Market Makers are allocated two (2) Full Service MEI Ports⁸ and two (2) Limited Service MEI Ports⁹ per matching engine to which they connect. The Full Service MEI Ports, Limited Service MEI Ports, and the additional Limited Service MEI Ports all include access to MIAX's primary and secondary data centers and its disaster recovery center. Market Makers may request additional Limited Service MEI Ports for which they will be assessed the existing \$100 monthly fee for each additional port they request. This fee has been unchanged since 2016.¹⁰

⁷ A "matching engine" is a part of the MIAX electronic system that processes options quotes and trades on a symbol-by-symbol basis. Some matching engines will process option classes with multiple root symbols, and other matching engines will be dedicated to one single option root symbol (for example, options on SPY will be processed by one single matching engine that is dedicated only to SPY). A particular root symbol may only be assigned to a single designated matching engine. A particular root symbol may not be assigned to multiple matching engines. See Fee Schedule, Section 5)d)ii), note 29.

⁸ Full Service MEI Ports provide Market Makers with the ability to send Market Maker quotes, eQuotes, and quote purge messages to the MIAX System. Full Service MEI Ports are also capable of receiving administrative information. Market Makers are limited to two Full Service MEI Ports per matching engine. See Fee Schedule, Section 5)d)ii), note 27.

⁹ Limited Service MEI Ports provide Market Makers with the ability to send eQuotes and quote purge messages only, but not Market Maker Quotes, to the MIAX System. Limited Service MEI Ports are also capable of receiving administrative information. Market Makers initially receive two Limited Service MEI Ports per matching engine. See Fee Schedule, Section 5)d)ii), note 28.

¹⁰ See Securities Exchange Act Release No. 79666 (December 22, 2016), 81 FR 96133 (December 29, 2016) (SR-MIAX-2016-47).

The Exchange originally added the Limited Service MEI Ports to enhance the MEI Port connectivity made available to Market Makers, and has subsequently made additional Limited Service MEI Ports available to Market Makers.¹¹ Limited Service MEI Ports have been well received by Market Makers since their addition. The Exchange now proposes to offer to Market Makers the ability to purchase an additional two (2) Limited Service MEI Ports per matching engine over and above the current six (6) additional Limited Service MEI Ports per matching engine that are available for purchase by Market Makers. The Exchange proposes making a corresponding change to footnote 30 of the Exchange's Fee Schedule to specify that Market Makers will now be limited to purchasing eight (8) additional Limited Service MEI Ports per matching engine, for a total of ten (10) per matching engine. All fees related to MEI Ports shall remain unchanged and Market Makers that voluntarily purchase the additional Limited Service MEI Ports will remain subject to the existing \$100 monthly fee per port.

The Exchange is increasing the number of additional Limited Service MEI Ports because the Exchange is expanding its network. This network expansion is necessary due to increased customer demand and increased volatility in the marketplace, both of which have translated into increased message traffic rates across the network. Consequently, this network expansion, which increases the number of switches supporting customer facing systems, is necessary in order to provide sufficient access to new and existing Members,¹² to maintain a sufficient amount of

¹¹ See Securities Exchange Act Release Nos. 70137 (August 8, 2013), 78 FR 49586 (August 14, 2013) (SR-MIAX-2013-39); 70903 (November 20, 2013), 78 FR 70615 (November 26, 2013) (SR-MIAX-2013-52); 78950 (September 27, 2016), 81 FR 68084 (October 3, 2016) (SR-MIAX-2016-33); and 79198 (October 31, 2016), 81 FR 76988 (November 4, 2016) (SR-MIAX-2016-37).

¹² The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

network capacity head-room, and to continue to provide the same level of service across the Exchange's low-latency, high-throughput technology environment.

Currently, the Exchange has 8 network switches that support the entire customer base of MIAX. The Exchange plans to increase this to 10 switches, which will increase the number of available customer ports by 25%. This increase in the number of available customer ports will enable the Exchange to continue to provide sufficient and equal access to MIAX Systems to all Members. Absent the proposed increase in available MEI Ports, the Exchange projects that its current inventory will be depleted and it will lack sufficient capacity to continue to meet Members' access needs.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁴ in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

The Exchange believes that its proposal is consistent with the objectives of Section 6(b)(5) of the Act¹⁵ because the proposed additional Limited Service MEI Ports will be available to all Market Makers and the current fees for the additional Limited Service MEI Ports apply equally to all Market Makers regardless of type, and access to the Exchange is offered on terms

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 15 U.S.C. 78f(b)(5).

that are not unfairly discriminatory. The Exchange is proposing to increase the number of available Limited Service MEI Ports because the Exchange is expanding its network. This network expansion is necessary due to increased customer demand and increased volatility in the marketplace, both of which have translated into increased message traffic rates across the network. Consequently, this network expansion, which increases the number of switches supporting customer facing systems, is necessary in order to provide sufficient and equal access to new and existing Members, to maintain a sufficient amount of network capacity head-room, and to continue to provide the same level of service across the Exchange's low-latency, high-throughput technology environment.

Currently, the Exchange has 8 network switches that support the entire customer base of MIAX. The Exchange plans to increase this to 10 switches, which will increase the number of available customer ports by 25%. This increase in the number of available customer ports will enable the Exchange to continue to provide sufficient and equal access to MIAX Systems for all Members. Absent the proposed increase in available MEI Ports, the Exchange projects that its current inventory will be depleted and it will lack sufficient capacity to continue to meet Members' access needs. Further, the Exchange notes the decision of whether to purchase two additional Limited Service MEI Ports is completely optional and it is a business decision for each Market Maker to determine whether the additional Limited Service MEI Ports are necessary to meet their business requirements.

The Exchange further believes that the availability of the additional Limited Service MEI Ports is equitable and not unfairly discriminatory because it will enable Market Makers to maintain uninterrupted access to the MIAX System and consequently enhance the marketplace

by helping Market Makers to better manage risk, thus preserving the integrity of the MIAX markets, all to the benefit of and protection of investors and the public as a whole.

The Exchange also believes that its proposal is consistent with Section 6(b)(4) of the Act because only Market Makers that voluntarily purchase the two additional Limited Service MEI Ports will be charged the existing \$100 monthly fee per port, which has been unchanged since 2016.¹⁶ The Exchange does not propose to amend the fees applicable to additional Limited Service MEI Ports which have been previously filed with the Commission and become effective after notice and public comment.¹⁷ As stated above, the Exchange proposes to expand its network by making available two additional Limit Service MEI Ports due to increased customer demand and increased volatility in the marketplace, both of which have translated into increased message traffic rates across the network. The cost to expand the network in this manner is greater than the revenue the Exchange anticipates the additional Limited Service MEI Ports will generate. Specifically, the Exchange estimates it will incur a one-time cost of approximately \$175,000 in capital expenditures on hardware, software, and other items to expand the network to make available the two additional Limited Service MEI Ports. This estimated cost also includes expense associated with providing the necessary engineering and support personnel to transition those Market Makers who wish to acquire the two additional Limited Service MEI Ports.

The Exchange projects that approximately six or seven Market Makers will elect to purchase the additional Limited Service MEI Ports, which will be subject to the existing monthly fee of \$100 per port. Accordingly, the Exchange projects that the annualized revenue from the

¹⁶ See supra note 10.

¹⁷ See supra notes 10 and 11.

two additional Limited Service MEI Ports will be approximately \$16,800 (assuming that seven Market Makers purchase the two additional Limited Service MEI Ports). Therefore, the Exchange's cost in expanding its network to provide its Members with the two additional Limited Service MEI Ports – approximately \$175,000 – is clearly greater than the anticipated annualized revenue the Exchange expects to bring in from the two additional Limited Service MEI Ports – approximately \$16,800. Further, the Exchange anticipates it will incur approximately \$100,371 in annual ongoing operating expense in order to support the expanded network and the two additional Limited Service MEI Ports. Thus, the Exchange is not generating a supra-competitive profit from the provision of these two additional Limited Service MEI Ports. In fact, even excluding the one-time capital expenditure cost of \$175,000, the Exchange anticipates generating an annual loss from the provision of these two additional Limited Service MEI Ports of (\$83,571) – that is, \$16,800 in revenue minus \$100,371 in expense equates to a loss of (\$83,571) to support the additional ports annually.

Subjecting the two additional Limited Service MEI Ports to the existing \$100 monthly fee per port is also designed to encourage Market Makers to be efficient with their port usage, thereby resulting in a corresponding increase in the efficiency that the Exchange would be able to realize in managing its aggregate costs for providing the two additional ports. There is no requirement that any Market Maker maintain a specific number of Limited Service MEI Ports and a Market Maker may choose to maintain as many or as few of such ports as each Market Maker deems appropriate.

Finally, subjecting the two additional Limited Service MEI Ports to the existing \$100 monthly fee will help to encourage Limited Service MEI Port usage in a way that aligns with the Exchange's regulatory obligations. As a national securities exchange, the Exchange is subject to

Regulation Systems Compliance and Integrity (“Reg. SCI”).¹⁸ Reg. SCI Rule 1001(a) requires that the Exchange establish, maintain, and enforce written policies and procedures reasonably designed to ensure (among other things) that its Reg. SCI systems have levels of capacity adequate to maintain the Exchange’s operational capability and promote the maintenance of fair and orderly markets.¹⁹ By encouraging Members to be efficient with their usage of Limited MEI Ports, the current fee that will continue to apply to the proposed two (2) additional Limited Service MEI Ports will support the Exchange’s Reg. SCI obligations in this regard by ensuring that unused ports are available to be allocated based on individual Members needs and as the Exchange’s overall order and trade volumes increase.

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

MIAX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change will not impose a burden on competition but will benefit competition by enhancing the Exchange’s ability to compete by providing additional services to market participants. It is not intended to address a competitive issue. Rather, the proposed increase in the number of additional Limited Service MEI Ports available per Market Maker is intended to allow the Exchange to increase its inventory of MEI Ports to meet increased Member demand. The Exchange is increasing the number of available additional Limited Service MEI Ports in response to Market Maker demand for increased connectivity to the MIAX System. The Exchange’s current inventory may soon be insufficient to meet those needs. Again, the Exchange is not proposing to amend the fees for MEI Ports, just to increase the number of MEI

¹⁸ 17 CFR 242.1000-1007.

¹⁹ 17 CFR 242.1001(a).

Ports available per Market Maker. The Exchange also does not believe that the proposed rule change will impose a burden on intramarket competition because the two additional Limited Service MEI Ports will be available to all Market Makers on an equal basis. It is a business decision of each Market Maker whether to pay for the additional Limited Service MEI Ports.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁰ and Rule 19b-4(f)(2)²¹ thereunder. 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

²⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

²¹ 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2020-29 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-MIAX-2020-29. This file number should be 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-MIAX-2020-29, 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.²²

J. Matthew DeLesDernier
Assistant Secretary

²² 17 CFR 200.30-3(a)(12).