

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95899; File No. SR-MIAX-2022-30)

September 23, 2022

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 510, Minimum Price Variations and Minimum Trading Increments

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 13, 2022, Miami International Securities Exchange, LLC (“MIAX Options” or the “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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 Interpretation and Policy .03 to Exchange Rule 510, Minimum Price Variations and Minimum Trading Increments.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/> at MIAX Options’ 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 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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 Interpretation and Policy .03 to Exchange Rule 510, Minimum Price Variations and Minimum Trading Increments, to change the minimum increment for all series of options on the SPIKES[®] Index⁵ (“SPIKES options”). Currently, the minimum trading increment for SPIKES options is as follows: (1) if the options series is trading at less than \$3.00, five (5) cents; and (2) if the options series is trading at \$3.00 or higher, ten (10) cents.⁶ The Exchange now proposes to amend Interpretation and Policy .03 to Exchange Rule 510 to change the minimum increment for SPIKES options to the following: (1) if the options series is trading at less than \$3.00, one (1) cent; and (2) if the options series is trading at \$3.00 or higher, five (5) cents.

⁵ The SPIKES Index measures the expected 30-day volatility of the SPDR[®] S&P 500 ETF Trust (commonly known and referred to by its ticker symbol, “SPY”). See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (SR-MIAX-2018-14) (Order Granting Approval of a Proposed Rule Change by Miami International Securities Exchange, LLC to List and Trade on the Exchange Options on the SPIKES[®] Index).

⁶ See Exchange Rule 510, Interpretation and Policy .03.

The Exchange believes market demand (including by retail investors, who generally prefer lower trading increments) supports a lower trading increment for these series. The Exchange expects this more granular pricing to lead to narrowing of the bid-ask spread for these options and increase the possible number of price points available to investors for these series. The Exchange believes tighter spreads will increase order flow in SPIKES options, which additional liquidity ultimately benefits all investors. Finer increments also permit more precise pricing in line with the theoretical value of these options. Additionally, penny pricing will be, but is not yet, available in options on the Cboe Volatility Index (“VIX options”), which is a competing product with SPIKES options trade [sic] on the Cboe Exchange, Inc. (“Cboe”).⁷ The Exchange notes that the proposal to list VIX options in penny increments was noticed by the Commission on June 14, 2022, with the Commission granting waiver of the 30-day operative delay.⁸ As a result, the Exchange believes penny pricing for SPIKES options is necessary for competitive reasons to allow the Exchange to price these options at the same level of granularity as permitted for competitor products.⁹

⁷ See Securities Exchange Act Release No. 95102 (June 14, 2022), 87 FR 36898 (June 21, 2022) (SR-CBOE-2022-027) (proposal to amend the minimum price increment for VIX options not listed under the Nonstandard Expirations Pilot Program to be \$0.01 for series trading lower than \$3.00 and \$0.05 for series trading at \$3.00 or higher) (the “VIX Options Penny Notice”). The Exchange notes that series of VIX options listed under the Nonstandard Expirations Pilot Program (“VIXW options”) currently trade with a minimum increment of \$0.01 for all series trading prices. See Cboe Exchange, Inc. Rule 5.4(a).

⁸ See *id.* The Exchange notes that Cboe stated in their rule filing that Cboe “will issue a Notice to Trading Permit Holders...with appropriate advanced notice announcing the implementation date of the proposed rule change.” See SR-CBOE-2022-027, available at https://www.cboe.com/us/options/regulation/rule_filings/ (last visited July 22, 2022). Accordingly, based on a review of Cboe’s rulebook as well as Cboe’s regulatory and trading notices to their members, the Exchange believes Cboe has not yet implemented penny pricing in VIX options.

⁹ See *id.* The Exchange notes that part of the justification for the proposal to list VIX options in penny increments was based on the fact that if the Penny Interval Program (see

Further, the Exchange believes market demand supports a lower trading increment for series of SPIKES options, particularly demand by retail investors, who generally prefer lower trading increments. The Exchange is in the process of implementing a robust retail-oriented program for SPIKES options, including new educational programs and materials and potentially through changes to the MIAX Fee Schedule for transactions in SPIKES options, among other things. The proposed change to move to penny pricing for SPIKES options would further this goal by providing retail market participants the ability to trade SPIKES options in lower trading increments. The Exchange believes that lower trading increments in SPIKES options will boost retail participation on the Exchange, which should strengthen the market quality for SPIKES options for all market participants, leading to more trading opportunities and tighter spreads.

With regard to the impact of this proposed rule change on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle any potential additional traffic associated with this proposal. The Exchange does not believe any potential increased traffic will become unmanageable since this proposed rule change with respect to minimum trading increments is limited to a single class of options. The proposed rule change does not impact the number of

Exchange Rule 510(c) and MIAX Options Penny Class List, available at <https://www.miaxoptions.com/options-penny-pilot>) was open to singly-listed options (and not just multiply-listed options classes), VIX options would be eligible for inclusion in the Penny Interval Program. See VIX Options Penny Notice, supra note 5. Although volume in SPIKES options does not currently meet the requirements of the Penny Interval Program, the Commission has previously allowed singly-listed options to be quoted in penny increments when such options, irrespective of volume, were designed to track the same indexes as multiply-listed options that were in the pilot version (at the time) of the Penny Interval Program. See Securities Exchange Act Release No. 56565 (September 27, 2007), 72 FR 56403, 56406 (October 3, 2007) (SR-CBOE-2007-98) (approving Cboe's proposal to list and trade XSP and DJX options in penny increments).

expirations or strike prices for SPIKES options the Exchange may list pursuant to Exchange Rule 1809(a)(3).

The Exchange will issue a notice to Members¹⁰ via Regulatory Circular with appropriate advanced notice announcing the implementation date of the proposed rule change.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹² in particular, in that it is designed to prevent fraudulent and manipulative practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will permit more granular pricing in SPIKES options, which may lead to narrowing of the bid-ask spread for these options and increase the possible number of price points available to investors for these series, which ultimately increases liquidity to the benefit of all investors. In particular, the Exchange believes the proposed change

¹⁰ 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.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ 15 U.S.C. 78f(b)(5).

will further the Exchange's goal of providing retail market participants the ability to trade SPIKES options in lower trading increments, which will strengthen the market quality for SPIKES options for all market participants, leading to more trading opportunities and tighter spreads. The Exchange believes stronger market quality and more trading opportunities based on a lower trading increment for SPIKES options promotes just and equitable principles of trade, facilitates transactions in SPIKES options and removes impediments to the mechanism of a free and open market for SPIKES options.

Additionally, as discussed above, at least one competing exchange, Cboe, has filed to allow a competitive product, VIX options, to trade in penny and nickel increments once Cboe implements that change. Therefore, the proposed change will and promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market by allowing SPIKES options to trade at the same level of granularity as permitted for competitor products like VIX options. Further, the Commission has previously allowed singly-listed options to be quoted in penny increments when such options were designed to track the same indexes as multiply-listed options that were in the pilot version (at the time) of the Penny Interval Program.¹⁴

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate, because all Exchange Members will be able to trade SPIKES options in the proposed minimum trading increments.

¹⁴ See supra note 7.

The proposed rule change will not impose any burden on intermarket competition that is not necessary or appropriate, because it will permit SPIKES options to have pricing consistent with the pricing of a competitive product, VIX options, that currently trades in increments of \$0.01 or \$0.05.

Additionally, the proposed rule change to permit SPIKES options to be listed in penny and nickel increments may relieve any burden on, or otherwise promote, competition, as it will allow market participants to trade these options at the same level of granularity as permitted for competitor products. The Exchange also expects the more granular pricing to lead to narrowing of the bid-ask spread for these options, which the Exchange believes will increase order flow and price competition in SPIKES options.

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 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and Rule 19b-4(f)(6) thereunder.¹⁶

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission 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 satisfied this requirement.

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 change 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-2022-30 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-2022-30. 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-2022-30 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.¹⁷

J. Matthew DeLesDernier,
Deputy Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).