

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69685; File No. SR-MIAX-2013-25)

June 3, 2013

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 520 to Clarify the Description of the Operation of the Exchange's Route Timer

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 22, 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 Rule 529(b)(2)(iii) to clarify the description of the operation of the Exchange's route timer set forth in the rule text.

The text of the proposed rule change is available on the Exchange's website at [http://www.miaxoptions.com/filter/wotitle/rule\\_filing](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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend Rule 529(b)(2)(iii) to clarify the description of the operation of the Exchange's route timer set forth in the rule text. Specifically, the Exchange proposes to amend the language in Rule 529(b)(2)(iii) to more clearly specify that (i) at any point during the route timer the initiating order and all joining interest on the same side of the market is either traded in full or cancelled in full, the route timer will be terminated and normal trading will resume, and (ii) if at any point during the route timer a change in the ABBO would allow all or part of the initiating order and any joining interest on the same side of the market to trade on the Exchange at the revised NBBO, the route timer will be terminated and normal trading will resume.

In accordance with the Options Order Protection and Locked/Crossed Market Plan (the "Plan"), the Exchange provides price protection in options by routing intermarket sweep orders to other options exchanges. Intermarket sweep orders may be routed to another options exchange when trading interest is not available on MIAX, is of insufficient size, or when MIAX is not at the National Best Bid or Offer ("NBBO") consistent with the Plan. Orders that are routable may either be eligible for immediate routing, provided the criteria for immediate routing are met, or may be subject to a route timer.

Public Customer orders not eligible for immediate routing are be subject to a route timer. The route timer allows Market Makers and other market participants an opportunity to interact with an order before it is routed to another options exchange. At the start of the route timer, the

Exchange's trading system broadcasts a Route Notification message to subscribers of its market data feeds providing details about the order to be routed. During the timer, which does not exceed one second, Market Makers and other market participants may submit certain order and quote types at any price level. If during the route timer the Exchange receives a new order or quote on the opposite side of the market from the initiating order that can be executed, the System will immediately execute the remaining contracts. Conversely, if during the route timer the Exchange receives orders or quotes on the same side of the market as the initiating order, such new orders or quotes will join the initiating order in the route timer. The Exchange's trading system will disseminate an updated MIAX Best Bid or Offer ("MBBO") that includes the new order or quote size.

If at any point during the route timer the initiating order and all joining interest on the same side of the market is either traded in full or cancelled in full, the route timer will be terminated and normal trading will resume. In addition, if at any point during the route timer a change in the Away Best Bid or Offer ("ABBO") would allow the initiating order and any joining interest on the same side of the market to trade on the Exchange at the revised NBBO, the route timer will be terminated and normal trading will resume.

At the end of the route timer any contracts that could not be executed and are marketable at the original NBBO on another exchange are marked as an intermarket sweep order and routed to the appropriate away market.

The Exchange proposes to amend the description set forth in Rule 529(b)(2)(iii) to more clearly reflect the above description of the trading system functionality with respect to a change in the ABBO that would allow all or part of the initiating order and any same side interest to trade on the Exchange at the revised NBBO. The Exchange is now proposing to revise the last

sentence in Rule 529(b)(2)(iii) by splitting the sentence into two sentences. The Exchange believes that this less complicated sentence structure clarifies that if there is a change in the ABBO at any point during the route timer that would allow all or part of<sup>3</sup> the initiating order and any joining interest on the same side of the market to trade on the Exchange at the revised NBBO, the route timer will be terminated and normal trading will resume. The Exchange believes the revised language will help eliminate potential confusion regarding the operation of the route timer.

## 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>5</sup> 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, and it is not designed to permit unfair discrimination among customers, brokers, or dealers. The proposed clarification will protect investors and the public interest by eliminating potential confusion that could be caused by the existing language used to describe trading system functionality.

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<sup>3</sup> The Exchange amended its filing to add the term “all or part of” to this sentence; the term had been inadvertently omitted from the original filing. See email from Claire McGrath, Legal Consultant, MIAX, to Sara Gillis Hawkins, Special Counsel, Commission, dated May 28, 2013.

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

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. .

Specifically, the Exchange believes the proposed rule change will not impose any burden because the Exchange is merely amending its Rules so that they clearly reflect the system functionality.

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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup> 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 prior to 30 days from the date on which it was filed, 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 Act and Rule 19b-4(f)(6)(iii) thereunder.

At any time within 60 days of the filing of such 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

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>7</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's 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.

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act<sup>8</sup> 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](mailto:rule-comments@sec.gov). Please include File No. SR-MIAX-2013-25 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 No. SR-MIAX-2013-25. 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

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<sup>8</sup> 15 U.S.C. 78s(b)(2)(B).

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 such 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 No. SR-MIAX-2013-25 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.<sup>9</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).