

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69996; File No. SR-MIAX-2013-32)

July 17, 2013

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Exchange Rule 700 Regarding Friday Expiration Changes

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 July 3, 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, 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 Exchange Rule 700, Exercise of Option Contracts, to describe accurately the deadlines for submission of notice to the Exchange of a Member’s decision to exercise or not to exercise an existing option, and for the submission of Contrary Exercise Advices (defined below) by Members to the Exchange. The Exchange also proposes to establish such deadlines for options that expire after February 1, 2015.

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.

---

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

<sup>2</sup> 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

MIAX proposes to amend Exchange Rule 700, to establish new dates and times by which Members must make a final decision to exercise or not exercise an expiring option.

Background

The Options Clearing Corporation (“OCC”) recently determined to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.<sup>3</sup> Most option contracts (“Standard Expiration Contracts”) currently expire at the “expiration time” (11:59 pm Eastern Time) on the Saturday following the third Friday of the specified expiration month (“expiration date”). The expiration time will continue to be 11:59 pm Eastern Time on the expiration date. The OCC rule change would apply only to Standard Expiration Contracts expiring after February 1, 2015. The OCC rule change will not affect the expiration date for any outstanding option contract. The OCC rule change will apply

---

<sup>3</sup> See Securities Exchange Act Release Nos. 69480 (April 30, 2013), 78 FR 26413 (May 6, 2013) (SR-OCC-2013-04); 69772 (June 17, 2013), 78 FR 37645 (June 21, 2013) (SR-OCC-2013-04) (Order Approving Proposed Rule Change to Change the Expiration Date For Most Option Contracts to the Third Friday of the Expiration Month Instead of the Saturday Following the Third Friday).

only to series of option contracts opened for trading having expiration dates later than February 1, 2015.

After February 1, 2015, virtually all Standard Expiration Contracts will expire on Friday. The only Standard Expiration Contracts that will expire on a Saturday after February 1, 2015 will be certain options that were listed prior to the effectiveness of the OCC rule change, and a limited number of options that may be listed prior to necessary systems changes of the options exchanges, which are expected to be completed in August 2013. The exchanges have agreed that once these systems changes are made they will not open for trading any new series of option contracts with Saturday expiration dates falling after February 1, 2015.<sup>4</sup> After the transition period and the expiration of all existing Saturday-expiring options, expiration processing should be a single operational process and should run on Friday night for all Standard Expiration Contracts.

In order to start the transition to Friday night expiration processing, the OCC will, beginning June 21, 2013, move the expiration exercise procedures to Friday for all Standard Expiration Contracts even though the contracts will continue to expire on Saturday. As part of this change, the window for submission of exercise-by-exception instructions will be moved from 6:00 a.m. to 9 a.m. Central Time on Saturday morning to 6:00 p.m. to 9:15 p.m. Central Time on Friday evening starting June 21, 2013.<sup>5</sup> The current exercise-by-exception window for weekly and quarterly expiration options from 6:00 p.m. to 7:00 p.m. Central Time on the expiration date will remain the same.

### The Proposal

The Exchange proposes to amend Rule 700(c) by stating that, respecting options that

---

<sup>4</sup> Id.

<sup>5</sup> See id. at 26414.

expire after February 1, 2015, option holders have until 5:30 p.m. Eastern Time on the expiration date to make a final decision to exercise or not exercise an expiring option. The purpose of the change is to account for the OCC change described above for all Standard Expiration Contracts that after February 1, 2015 will have a Friday expiration and that option holders must submit exercise instructions to Members (whether for customer or non-customer accounts) before 5:30 p.m. Eastern Time on the expiration date instead of the current requirement of the business day immediately prior to the expiration date. The Exchange believes that this should assist Members processing exercise instructions in the same manner as today despite the new Friday expiration. This should result in a smooth transition without any confusion to Members and their customer and non-customer accounts.

The Exchange also proposes to amend Rule 700(c) to provide that Members may set earlier cutoff times for customers submitting exercise notices, and that Clearing Members are permitted to submit exercise instructions after the cutoff time only in case of errors or other unusual situations, and may be subject to fines or disciplinary actions.<sup>6</sup> The Exchange believes that this provision enables Members to receive timely notification to exercise or not to exercise an option, and provides Clearing Members with additional time to correct errors or other issues that arise from unusual situations. However, Clearing Members may be subject to fines or disciplinary actions by MIAX in these instances.<sup>7</sup>

---

<sup>6</sup> See Securities Exchange Act Release Nos. 69480 (April 30, 2013), 78 FR 26413 (May 6, 2013) (SR-OCC-2013-04).

<sup>7</sup> See MIAX Rule 1014(d)(9), Exercise of Option Contracts (Rule 700), which states that a Member who fails to submit to the Exchange in a timely manner pursuant to Rule 700 or a Regulatory Circular issued pursuant to Rule 700, "Advice Cancel," or exercise instruction relating to the exercise or non-exercise of a non-cash settled equity option shall be subject to a fine schedule set forth in the rule.

The Exchange proposes to amend Rules 700(d)(ii) and (iii), Deadline for CEA Submission for Customer Accounts and Non-Customer Accounts. Currently, Rules 700(d)(ii) and (iii) simply state that Members have until 7:30 Eastern Time to submit a Contrary Exercise Advice to the Exchange. The Exchange proposes to clarify in the Rules that Members have until 7:30 p.m. Eastern Time on the business day immediately prior to the expiration date or, in the case of Short Term Option Series and Quarterly Options Series, on the expiration date, to submit a Contrary Exercise Advice (“CEA”)<sup>8</sup> to the Exchange. The Exchange believes that this clarifying language will safeguard the CEA process and enable the Exchange to submit CEA or Advice Cancel<sup>9</sup> instructions to OCC in a timely fashion on Friday, the date on which OCC will be processing expiring options. The Exchange believes that this more clearly and accurately describes the deadline date and time. This amendment should provide a smooth transition to the Friday expiration, and to the processing of CEAs and Cancel Advices when the OCC begins to conduct expiration exercise procedures Friday for all Standard Expiration Contracts on June 21, 2013, even though the contracts would continue to expire on Saturday. The Exchange believes this benefits the investing public because Members will be required to submit these notifications in a timely fashion for Friday processing, removing their exposure to the risk of late notification and the concomitant exercise or non-exercise of their option contracts.

The Exchange proposes to amend MIAX Rule 700(c) by codifying the current practice under which holders of Short Term Option Series (“STOS”) have until 5:30 p.m. on the

---

<sup>8</sup> A Contrary Exercise Advice is a communication either: (1) to not exercise an option that would be automatically exercised under the OCC’s Exercise-by-Exception (“Ex-by-Ex”) procedure (i.e., unless contrary instructions are given, option contracts that are in-the-money by specified amounts shall be automatically exercised); or (2) to exercise an option that would not be automatically exercised under the OCC’s Ex-by-Ex procedure. See MIAX Rule 700(d).

<sup>9</sup> A Contrary Exercise Advice may be canceled by filing an “Advice Cancel” with the Exchange. See MIAX Rule 700(d)(i).

expiration date to make a final decision to exercise or not exercise an expiring option, which is also the current practice respecting Quarterly Options. Currently, Exchange Rule 700(c) states that option holders have until 5:30 p.m. Eastern Time on the business day immediately prior to the expiration date or, in the case of Quarterly Options Series, on the expiration date, to make a final decision to exercise or not exercise an expiring option. Just as with Quarterly Options Series, STOS currently may be exercised on the expiration date.<sup>10</sup> The Exchange proposes to clarify this current practice in the Rule by stating that the expiration date exercise cutoff time applies to holders of STOS as well.<sup>11</sup> This change will bring the Exchange's Rules in line with the current OCC expiration schedule for STOS. Members may not accept exercise instructions for customer or non-customer accounts after 5:30 p.m. Eastern Time.

Finally, the Exchange proposes a clarifying change to Rule 700(h). Rule 700(h) currently provides that Members have until 7:30 Eastern Time to deliver a CEA or Advice Cancel to the Exchange for customer accounts and non-customer accounts. The Exchange proposes to amend this provision to clarify that Members have until 7:30 p.m. Eastern Time to deliver a CEA or Advice Cancel to the Exchange for customer accounts and non-customer accounts. This more precise description of the time deadline should assist the Exchange in its timely submission of such notification to OCC and eliminate any potential confusion, thus protecting investors submitting exercise instructions to Members when the time for closing the trading session is modified on the last business day before expiration will occur.

---

<sup>10</sup> STOS (or "Weekly") options expire on the Friday of the listing week. No weekly options are issued during the week of standard expiration (the third Friday of the month). When expiration Friday falls on a holiday, the weekly option will expire on the preceding Thursday. See, e.g., Securities Exchange Act Release No. 69658 (May 29, 2013), 78 FR 33454 (June 4, 2013) (SR-MIAX-2013-23).

<sup>11</sup> MIAX Rule 700 is nearly identical to ISE Rule 1100. ISE Rule 1100(c) did not account for the ability to exercise STOS on the expiration date.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b)<sup>12</sup> of the Act in general, and furthers the objectives of Section 6(b)(5)<sup>13</sup> 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, and it is not designed to permit unfair discrimination among customers, brokers, or dealers.

By changing the Exchange's Rules to account for the new expiration date for most Standard Expiration Contracts (the third Friday of the expiration month), and for the OCC moving the expiration exercise procedures to Friday for all Standard Expiration Contracts for post-February 1, 2015 expirations, the proposed rule change should help to promote the prompt and accurate clearance and settlement of securities transactions, and foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

The proposed changes to account for the exercise of STOS on the expiration date remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, protect investors and the public interest, by amending the Rules to be consistent with the current OCC expiration schedule. This change clarifies that investors must notify Members of their intention to exercise or not to exercise STOS, and that Members must submit CEAs and Advice Cancels, on the expiration date, thus further perfecting the mechanisms of a free and open market.

---

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

The proposed clarifying changes to provide more precise deadline times for the submission of exercise notifications and CEA Submissions should assist the Exchange in its timely submission of such notification to OCC and eliminate any potential confusion, thus protecting investors submitting exercise instructions to Members.

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. The proposed rule change is intended to help MIAX Members transition into the new Friday expiration date for Standard Expiration Contracts, and to foster cooperation with persons engaged in the clearance and settlement of securities transactions. This should enable the Exchange to continue to compete on an even playing field with other U.S. options exchanges.

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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6)<sup>15</sup> thereunder.

---

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 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-2013-32 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-2013-32. 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 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-2013-32 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>16</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>16</sup> 17 CFR 200.30-3(a)(12).