

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72408; File No. SR-MIAX-2014-28)

June 17, 2014

Self-Regulatory Organizations: Notice of Filing of a Proposed Rule Change by Miami  
International Securities Exchange LLC to Amend Rule 515

Pursuant to the provisions of 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 June 5, 2014, 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, 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 515.

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 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.

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

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

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 Rule 515(c)(2) in order to provide that the liquidity refresh pause will be terminated early and normal trading will resume if during a liquidity refresh pause, the ABBO on the same side of the market as the initiating order crosses the original NBBO price on the opposite side of the market. The proposed change is designed to codify existing functionality during the liquidity refresh pause. The proposed change will allow the liquidity refresh pause to terminate and normal trading resume without delay, thus freeing up the initiating order and any same side joiners received during the timer, when the market has changed in a manner that renders the initiating order and same side joiners no longer marketable. Once normal trading resumes, the initiating order and any same side joiners held within the liquidity refresh pause would be free to compete for executions with the new revised same side ABBO at additional price points which may lead to additional execution opportunities.

The following examples describe how a new revised same side ABBO that crosses the original NBBO on the opposite side of the market will terminate the Liquidity Refresh Pause early.

Example 1: Same Side ABBO Terminates the Liquidity Refresh Pause Early

Market	Bid	Ask
ABBO	1.00 (10)	1.14 (10)
PLMM	1.00 (10)	1.10 (10)
LMM 1	1.00 (10)	1.12 (10)
LMM 2	1.00 (10)	1.15 (10)
RMM 1	1.00 (10)	1.16 (10)

- Order 1: Buy limit of 1.13 for 20 contracts with a price protection instruction of 3 MPVs
- NBBO at time of arrival = 1.00 (50) x 1.10 (10)
- Order 1 is price protected at 1.13 (which is  $1.10 + 3 \text{ MPV} = 1.13$ )
  - Order 1 trades 10 contracts with PLMM @ 1.10

- Liquidity Refresh Pause is triggered because the MBO of 1.10 was alone at NBBO and PLMM's 1.10 offer was exhausted
  - MBBO 1.10 (10) x 1.12 (10)
  - Liquidity Refresh message is broadcasted on the Exchange's data feeds: Buy 10 contracts, exhausted MBO of 1.10
- ABB updates to 1.12 for 10 contracts; ABBO = 1.12 (10) x 1.14 (10)
- Liquidity Refresh Pause is terminated early due to the ABB improving the original NBO of 1.10.
- Order 1 trades 10 contracts with LMM1 @ 1.12. Order 1 has been fully executed.
- New MBBO: 1.00 (40) x 1.15 (10). New NBBO: 1.12(10) x 1.15(10)

Example 2: Same Side ABBO Terminates the Liquidity Refresh Pause Early

Market	Bid	Ask
ABBO	1.00 (10)	1.14 (10)
PLMM	1.00 (10)	1.10 (10)
LMM 1	1.00 (10)	1.12 (20)
LMM 2	1.00 (10)	1.15 (10)
RMM 1	1.00 (10)	1.16 (10)

- Order 1: Buy limit of 1.13 for 20 contracts with a price protection instruction of 3 MPVs
- NBBO at time of arrival = 1.00 (50) x 1.10 (10)
- Order 1 is price protected at 1.13 (which is  $1.10 + 3 \text{ MPV} = 1.13$ )
  - Order 1 trades 10 contracts with PLMM @ 1.10
  - Liquidity Refresh Pause is triggered because the MBO of 1.10 was alone at NBBO and PLMM's 1.10 offer was exhausted
    - MBBO 1.10 (10) x 1.12 (20)
    - Liquidity Refresh message is broadcasted on the Exchange's data feeds: Buy 10 contracts, exhausted MBO of 1.10<sup>3</sup>
  - ABB updates to 1.12 for 10 contracts; ABBO = 1.12 (10) x 1.14 (10)
  - Liquidity Refresh Pause is terminated early due to the ABB improving the original NBO of 1.10.
  - Order 1 trades 10 contracts with LMM1 @ 1.12. Order 1 has been fully executed.
  - LMM1's remaining 10 contracts would be managed and reposted as firm at 1.13. New MBBO: 1.00 (40) x 1.13 (10). New NBBO: 1.12(10) x 1.13(10)

As mentioned above, the proposed change is designed to codify existing functionality that terminates the liquidity refresh pause early if during a liquidity refresh pause, the ABBO on

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<sup>3</sup> Note that the pricing information contained in the Liquidity Refresh message (Buy 10 contracts, exhausted MBO of 1.10) corresponds to the MBB (1.10 (10)).

the same side of the market as the initiating order crosses the original NBBO price on the opposite side of the market. The Exchange believes that this change will help facilitate transactions, remove impediments to and perfect the mechanism of a free and open market by freeing up interest in the liquidity refresh pause when conditions have changed that renders the initiating order and same side joiners no longer marketable to the benefit of market participants. The proposed change will also help eliminate potential confusion on behalf of market participants by clearly stating the System's functionality in this situation.

## 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.

The proposal to end the liquidity refresh pause due to the ABBO on the same side of the market as the initiating order crosses the original NBBO price on the opposite side of the market is designed to facilitate transactions, to remove impediments to and perfect the mechanism of a free and open market by freeing up interest in the liquidity refresh pause when conditions have changed that renders the initiating order and same side joiners no longer marketable to the benefit of market participants. The proposal also promotes the protection of investors and the

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

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

public interest by codifying existing functionality in a manner that should reduce confusion for Exchange members regarding the termination of a liquidity refresh pause.

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 changes will not impose any burden on intra-market competition because it applies to all MIAX participants equally. In addition, the Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing further transparency regarding the Exchange's price protection 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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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 Number SR-MIAX-2014-28 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-2014-28. 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; 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-2014-28 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>6</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).