

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78265; File No. SR-MIAX-2016-19)

July 8, 2016

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 515A to Extend the MIAX Price Improvement Mechanism (“PRIME”) Auction Pilot Program until January 18, 2017

Pursuant to the provisions of 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 July 7, 2016, 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 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 Exchange Rule 515A, Interpretations and Policies .08 to extend certain aspects of the MIAX Price Improvement Mechanism (“PRIME”) Auction pilot program (“Pilot Program”).

The text of the proposed rule change is available on the Exchange’s website at 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 extend the pilot period applicable to certain aspects of the Pilot Program which is currently set to expire on July 18, 2016,³ until January 18, 2017.

The current pilot allows PRIME Agency Orders of any size to initiate a PRIME Auction on MIAX at a price which is at or better than the national best bid or offer (“NBBO”).⁴ The Exchange implemented the pilot in order to benefit customers through the encouragement of the entry of more orders into the PRIME Auction, thus making it more likely that such orders may receive price improvement. The Exchange believes that the Pilot Program attracts order flow and promotes competition and price improvement opportunities for Agency Orders of fewer than 50 contracts. The Exchange believes that extending the Pilot Program period is appropriate because

³ See Exchange Act Release Nos. 73590 (November 13, 2014), 79 FR 68919 (SR-MIAX-2014-56) (establishing the PRIME Pilot Program) and 75486 (July 20, 2015), 80 FR 44174 (July 24, 2015) (SR-MIAX-2015-48)(extending certain aspects of the PRIME Pilot Program to July 18, 2016).

⁴ The Exchange notes that prior to the pilot, for PRIME Agency Orders for less than 50 standard option contracts or 500 mini-option contracts, the Initiating Member must stop the entire PRIME Agency Order as principal or with a solicited order at the better of the NBBO price improved by a \$0.01 increment or the PRIME Agency Order's limit price (if the order is a limit order). In addition, to initiate the PRIME Auction for auto-match submissions, the Initiating Member must stop the PRIME Agency Order for less than 50 standard option contracts or 500 mini-option contracts at the better of the NBBO price improved by a \$0.01 increment or the PRIME Agency Order's limit price. See Securities Exchange Act Release No. 73590 (November 13, 2014), 79 FR 68919 (November 19, 2014) (SR-MIAX-2014-56).

it would allow the Exchange and the Commission additional time to analyze data regarding the pilot that the Exchange has committed to provide.

In its filing to adopt the MIAX PRIME Price Improvement Mechanism in 2014 the Exchange committed to submit reports periodically based on the comprehensive list of data the Exchange represented it would collect in order to aid the Commission in its evaluation of the PRIME mechanism.⁵ In November 2014 the Exchange established a Pilot Program to allow orders of less than 50 contracts or 500 mini-option contracts to initiate a PRIME Auction,⁶ and began submitting revised periodic reports on August 1, 2015, based on the revised list of data detailed in Exhibit 3 of the Exchange's filing to extend the Pilot Program an additional year to July 18, 2016.⁷ Any raw data which is submitted to the Commission pursuant to the Pilot Program will be provided on a confidential basis. The Exchange continues to believe that there remains meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the PRIME Auction. The Exchange also continues to believe that there are significant opportunities for price improvement available in the PRIME Auction.

⁵ See Securities Exchange Act Release No. 72009 (April 23, 2014) 79 FR 24032 (April 29, 2014) (SR-MIAX-2014-09) (Order approving adoption of the MIAX PRIME Price Improvement Mechanism).

⁶ See Securities Exchange Act Release No. 68919 [sic] (November 13, 2014), 79 FR 68919 (November 19, 2014) (SR-MIAX-2014-56) (establishing the PRIME Pilot Program)

⁷ See Securities Exchange Act Release No. 75486 (July 20, 2015), 80 FR 44174 (July 24, 2015) (SR-MIAX-2015-48) (extending certain aspects of the PRIME Pilot Program to July 18, 2016).

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹ 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 Exchange believes that extending the Pilot Program is consistent with these principles because the Pilot Program is reasonably designed to create tighter markets and ensure that each order receives the best possible price, which benefits investors by increasing competition thereby maximizing opportunities for price improvement. The proposed extension would allow the pilot to continue uninterrupted, thereby avoiding any potential investor confusion that could result from a temporary interruption in the pilot. Because the Pilot Program is applicable to all PRIME Agency Orders for fewer than 50 contracts, the proposal to extend the Pilot Program merely acts to maintain the status quo on the Exchange, which promotes just and equitable principles of trade and removes impediments to, and perfects the mechanism of, a free and open market and a national market system.

The extension of the Pilot Program period will allow the Commission and the Exchange to continue to monitor the Pilot Program to ascertain whether there is meaningful competition for all size orders and whether there is an active and liquid market functioning on the Exchange outside of the PRIME Auction. The extension of the Pilot Program period would also enable

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

market participants to continue to benefit from the significant opportunities for price improvement available in the PRIME Auction.

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 simply extends an established pilot program for an additional period and would allow for further analysis of the pilot. In addition, the proposed extension would allow the Pilot Program to continue uninterrupted, thereby avoiding any potential investor confusion that could result from a temporary interruption in the Pilot Program. Thus, the proposal would also serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection.

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 Act¹⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹¹

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 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.

A proposed rule change filed under Rule 19b-4(f)(6)¹² normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹³ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requested that the Commission waive the 30-day operative delay. The Exchange noted that waiver of the 30-day operative delay would allow for the Pilot Program to continue uninterrupted.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as it will allow the Pilot Program to continue uninterrupted, thereby avoiding any potential investor confusion that could result from a temporary interruption in the Pilot Program. Therefore, the Commission designates the proposed rule change to be operative on July 18, 2016.¹⁴

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.

¹² 17 CFR 240.19b-4(f)(6).

¹³ 17 CFR 240.19b-4(f)(6)(iii).

¹⁴ For purposes only of waiving the operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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:to-rule-comments@sec.gov). Please include File Number SR-MIAX-2016-19 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-MIAX-2016-19. 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-2016-19 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.¹⁵

Jill M. Peterson
Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).