

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81753; File No. SR-MIAX-2017-41)

September 28, 2017

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend MIAX Options Rule 529, Order Routing to Other Exchanges

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 September 20, 2017, Miami International Securities Exchange, LLC (“MIAX Options” 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 529, Order Routing to Other Exchanges.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings>, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Rule 529, Order Routing to Other Exchanges, to provide additional information in the Route Notification broadcast as described in subsection (b)(2)(i). Specifically, the Exchange proposes to include the expected price to which the interest will be routed in the Route Notification message distributed via the Exchange's data feed. Additionally, the Exchange proposes to amend the rule text to improve its clarity and precision. The Exchange also proposes to adopt new Interpretations and Policies .02 to clarify that, for purposes of Rule 529, the expected price to which the interest will be routed is the ABBO³ at the start of the Route Timer.

Under Exchange Rule 529 the Exchange may automatically route orders to other exchanges under certain circumstances. The Exchange will employ one of two Route Mechanisms, Immediate Routing or the Route Timer,⁴ when a Public Customer⁵ order is received and/or reevaluated that is both routable and marketable against the opposite side ABBO

³ The term "ABBO" or "Away Best Bid or Offer" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

⁴ A Route Timer is a brief timer that operates as a pause before marketable interest is routed to an away exchange. See Exchange Rule 529(b)(2)(i).

⁵ The term "Public Customer" means a person that is not a broker or dealer in securities. See Exchange Rule 100.

upon receipt and the Exchange's disseminated market is not equal to the opposite side ABBO, or is equal to the opposite side ABBO and of insufficient size to satisfy the order.⁶

Under the Exchange's proposal, all existing functionality of the Route Timer will remain intact. Currently, Public Customer orders that are not eligible for Immediate Routing are subject to a Route Timer. The Route Timer, which will never exceed one second, allows Market Makers⁷ and other market participants an opportunity to interact with the initiating order before it is routed to another options exchange.⁸ Contemporaneously with the start of the Route Timer, the Exchange's System⁹ broadcasts a Route Notification message to subscribers of the Exchange's Administrative Information Subscriber ("AIS") data feed. The Route Notification message includes the option contract size and side of the market of the initiating Public Customer order.¹⁰ The Exchange now proposes to also include the expected price to which the interest will be routed in the Route Notification message. Additionally, the Exchange proposes to adopt new Interpretations and Policies .02 to state that, for purposes of this Rule, the expected price to which the interest will be routed is the ABBO at the start of the Route Timer.¹¹

⁶ See Exchange Rule 529(b).

⁷ The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

⁸ See Exchange Rule 529(b)(2)(i).

⁹ The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

¹⁰ See Exchange Rule 529(b)(2)(i).

¹¹ The Exchange notes that the expected price to which the interest will be routed may differ from the actual price to which the interest is routed due to changes in the market that occur during the duration of the Route Timer.

The System will display and book the initiating order at its limit price, or if the limit price locks or crosses the current opposite side NBBO,¹² display the initiating order one Minimum Price Variation (“MPV”)¹³ away from the current opposite side NBBO and book the initiating order at a price that will internally lock the current opposite side NBBO. The initiating order will remain available for execution up to its original bid or down to its original offer.¹⁴

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 from the initiating order to the extent possible, provided that the execution price does not violate the current NBBO.¹⁵ 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.¹⁶

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.¹⁷ In addition, 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.¹⁸

¹² The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received from OPRA. See Exchange Rule 100.

¹³ See Exchange Rule 510.

¹⁴ See Exchange Rule 529(b)(2)(i).

¹⁵ Id.

¹⁶ See Exchange Rule 529(b)(2)(iii).

¹⁷ Id.

¹⁸ Id.

At the end of the Route Timer, the System will route Intermarket Sweep Orders¹⁹ representing the initiating order's remaining contracts to away markets disseminating the ABBO. The System will price the routed order at the opposite side ABBO with a size equal to the exchange's disseminated ABBO size as needed. If there are still additional contracts to be executed from the initiating order after the Intermarket Sweep Orders have been routed to the away markets disseminating the ABBO for the away markets' full size, the System will handle remaining interest from the initiating order in accordance with the provisions of Exchange Rule 515, Execution of Orders and Quotes.²⁰

The Exchange also proposes to amend Rule 529(b)(2)(i) to correct the sentence which reads, “[c]ontemporaneously with the start of the Timer, the System will broadcast a Route Notification to subscribers of the Exchange’s data feeds” The Exchange broadcasts the Route Notification on a single data feed, the AIS feed. Therefore, the Exchange proposes to amend the rule text to specifically identify the data feed by its name, the Administrative Information Subscriber (“AIS”) data feed.

The Exchange also notes that other option exchanges offer similar functionality in their respective routing mechanisms. Those routing mechanisms (i) expose eligible initiating interest at the best price, (ii) contain an exposure period, the duration of which does not exceed one second, and (iii) route remaining interest to away markets at the conclusion of the exposure period.²¹ In particular, those routing mechanisms also expose their expected route price, which the Exchange is now proposing to expose as well pursuant to this proposed rule change. For

¹⁹ See Exchange Rule 516(f).

²⁰ See Exchange Rule 529(b)(2)(iv).

²¹ See BATS EDGX Rule 21.18, Nasdaq PHLX Rule 1080(m)(iv)(B) and (C), and NYSE American Rule 994NY.

example, BATS EDGX Exchange, Inc. (“BATS EDGX”) Rule 21.18 provides for a Step Up Mechanism (“SUM”) which electronically exposes eligible orders at the NBBO price immediately upon receipt. As well, the BATS EDGX rule prescribes that the exposure period shall be for a period of time determined by the Exchange on a class-by-class basis, which period of time shall not exceed one second.²² Following the exposure period, BATS EDGX routes the remaining portion of the exposed order to other exchanges.²³ Accordingly, pursuant to the proposed rule change, the Exchange is merely proposing to make available the same type of information about the order to be routed as is currently made available by other options exchanges.²⁴

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act²⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁶ 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 regulating, clearing, settling, processing information with respect to, and 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 the proposed changes promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a

²² See BATS EDGX 21.18(b)(1).

²³ See BATS EDGX 21.18(b)(4).

²⁴ See supra note 21.

²⁵ 15 U.S.C. 78f(b).

²⁶ 15 U.S.C. 78f(b)(5).

national market system because they seek to improve the accuracy of the Exchange's rules. In particular, the Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes that including the expected price to which the interest will be routed in the Route Notification message promotes just and equitable principles of trade and removes impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality. The Exchange also believes the proposal will contribute to the protection of investors and the public interest by clarifying the Exchange's rules. The Exchange believes that additional clarity and transparency in the Exchange's rules will strengthen investor confidence in the market and facilitate fair competition among market participants. The Exchange notes that other option exchanges that offer similar functionality have similar rules in place.²⁷

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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. Specifically, the Exchange believes the proposed rule change will not impose any burden on competition as the Exchange is merely providing supplemental information that may be derived by market participants independently. The Exchange's proposal does not substantively modify any Exchange functionality and is not designed to address any competitive issues, but rather to provide additional information in the Route Notification message and add further clarity to the Exchange's rules. Since the Exchange does not propose to substantively modify the operation of

²⁷ See supra note 21.

exchange functionality, the proposed rule change will not impose any burden on inter-market competition. Additionally, the Exchange does not believe the proposed rule change will impose any burden on intra-market competition as the Rules apply equally to all Exchange Members.

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 Act²⁸ and Rule 19b-4(f)(6)²⁹ thereunder.

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.

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 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.

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-2017-41 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-2017-41. 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-2017-41 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.³⁰

Eduardo A. Aleman
Assistant Secretary

³⁰ 17 CFR 200.30-3(a)(12).