

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-77957; File No. SR-MIAX-2016-12)

June 1, 2016

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 506

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 24, 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, 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 506, Collection and Dissemination of Quotations.

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

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

<sup>2</sup> 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 Exchange Rule 506, Collection and Dissemination of Quotations, to state that the Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer, when the size associated with the Exchange’s bid (offer) increases by an amount greater than or equal to a designated percentage of the previously disseminated bid (offer) size (the “percentage size increase”).

Current Rule 506(b) states that the Exchange shall disseminate an updated bid and offer price, together with the size associated with such bid and offer when: (i) the Exchange’s disseminated bid or offer price increases or decreases; (ii) the size associated with the Exchange’s disseminated bid or offer decreases; or (iii) the size associated with the Exchange’s bid (offer) increases by an amount greater than or equal to a percentage of the size associated with the previously disseminated bid (offer). Such percentage, which shall never exceed 20%, shall be determined on a class-by-class basis by the Exchange and announced to the Membership through a Regulatory Circular.<sup>3</sup>

Current Rule 506(b)(1)(iii) does not include a minimum percentage size increase that must be equaled or exceeded before the Exchange’s System<sup>4</sup> will update the Exchange’s

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<sup>3</sup> See Exchange Rule 506(b)(1).

<sup>4</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

disseminated bid and offer when the bid or offer price remains the same.<sup>5</sup> The Exchange is proposing to add a minimum percentage size increase to Rule 506(b)(1)(iii) that must be met in order for the System to update the Exchange's disseminated quotation. Specifically, the Rule would state that such percentage shall never be less than 10% or greater than the current 20%. Thus, under the proposed Rule, the percentage size increase must be at least 10% before the System will update the Exchange's disseminated quotation at the same price, and the Exchange may never establish a percentage size increase that is greater than 20%.

The Exchange will continue to determine the level of the required percentage size increase on a class-by-class basis and announce this to the Membership through a Regulatory Circular. As stated in the current Rule, the percentage size increase shall never exceed 20%, meaning that in all cases where the Exchange's disseminated size at the same price increases by 20% or more, the System will update the Exchange's disseminated bid and offer.

The purpose of the proposed rule change is to mitigate quote traffic by establishing a minimum percentage size increase at the same price which must be met before the System will disseminate an updated bid and offer. In order for the System to update the size of the disseminated bid and offer at the previously disseminated price, the size of the bid or offer must increase by at least 10%, or no update will occur.

The Exchange currently lists 318,280 option series overlying 2,390 underlying securities<sup>6</sup> for which it must publish the highest bid, lowest offer, and the aggregate quotation size available

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<sup>5</sup> The System automatically disseminates an updated bid and offer price, together with the size associated with such bid and offer each time the Exchange's disseminated bid or offer price increases or decreases, and when the size associated with the Exchange's disseminated bid or offer decreases. See Exchange Rules 506(b)(1)(i) and (ii). The instant proposed rule change addresses only the circumstance where the Exchange's disseminated size increases at the same price as the prior disseminated price.

<sup>6</sup> Data as of May 2, 2016.

for each, under Rule 602 of Regulation NMS.<sup>7</sup> Given the number of series and the number of quote updates submitted by Members on a continual basis throughout the trading day, the Exchange believes there is a benefit in establishing a minimum percentage size increase at the same price that must be met before the Exchange will disseminate an updated quotation. The minimum percentage size will ensure that only quotations at the same price with a meaningful percentage size increase are disseminated by the System.

The Exchange believes that the proposed minimum percentage size increase required for the System to update the Exchange's disseminated bid and offer at the previously disseminated price will reduce the dissemination of quotations that do not represent a material change in size from the previously disseminated quotation, thus making the System and the marketplace as a whole more efficient. Further, the Exchange believes the proposed rule change will alleviate the potential burden on quotation vendors in handling excessive quote updates that provide minimal value due to relatively small incremental changes in the aggregate size of bids and offers available on the Exchange.

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 60 days following the operative date of the proposed rule. The implementation date will be no later than 60 days following the issuance of the Regulatory Circular.

## 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in particular, in that it is

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<sup>7</sup> 17 CFR 242.602.

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

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 proposed rule change is designed to remove impediments to and perfect the mechanisms of a free and open national market system by reducing the frequency and number of extraneous quotation updates disseminated by the System. This would enable quotation vendors to whom the Exchange disseminates quotations to operate more efficiently, which in turn would allow the national market system to operate more efficiently.

Further, the proposed rule change is designed to protect investors and the public interest and to promote just and equitable principles of trade by ensuring only quotation updates that represent a meaningful increase in the aggregate size available on the Exchange are disseminated, thereby reducing the frequency and number of quotation updates that are disseminated by the System, that quotation vendors must handle, making the market as a whole more efficient.

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 Exchange believes the proposed rule change will not impose any burden on intra-market competition because it applies to all MIAX participants equally, thus placing all MIAX participants on an equal playing field.

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>10</sup> and Rule 19b-4(f)(6)<sup>11</sup> 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.

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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</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.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-MIAX-2016-12 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-2016-12. 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-2016-12 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>12</sup>

Brent J. Fields  
Secretary

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