

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81967; File No. SR-MIAX-2017-44)

October 27, 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 518 Relating to Derived Orders

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 October 19, 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 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 518(a)(9) to: (i) update the definition of a derived order on the Exchange, (ii) clarify the circumstances under which a derived order is generated by the Exchange’s System, and the price at which a derived order may be generated, and (iii) expand the situations under which a derived order is removed from the Exchange’s Simple Order Book.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/> at MIAX Options’ principal office, and at the Commission’s Public Reference Room.

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<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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Exchange Rule 518(a)(9) to: (i) update the definition of a derived order on the Exchange, (ii) clarify the circumstances under which a derived order is generated by the Exchange's System,<sup>3</sup> and the price at which a derived order may be generated, and (iii) expand the situations under which a derived order is removed from the Exchange's Simple Order Book.<sup>4</sup>

A "derived order" is an Exchange-generated limit order on the Simple Order Book that represents either the bid or offer of one component of a complex order resting on the Strategy Book<sup>5</sup> that is comprised of orders to buy or sell an equal quantity (currently with a one-to-one ratio) of two option components.<sup>6</sup> Derived orders will not be routed outside of the Exchange regardless of the price(s) disseminated by away markets. The Exchange will determine on a

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<sup>3</sup> The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>4</sup> The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

<sup>5</sup> The "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

<sup>6</sup> See Exchange Rule 518(a)(9).

class-by-class basis to make available derived orders and communicate such determination to Members<sup>7</sup> via a Regulatory Circular. Derived orders are firm orders (i.e., if executed, firm for the disseminated price and size) that are included in the MBBO.<sup>8</sup>

The Exchange is proposing to amend the definition of a “derived order” in two ways. First, the Exchange is proposing to revise the current requirement in Rule 518(a)(9) that a derived order can only be generated from one component of a complex order resting on the Strategy Book that is comprised of orders to buy or sell an equal quantity (currently with a one-to-one ratio) of two option components. Under the proposal, a derived order may now be comprised of orders to buy or sell two option components, where the size of one component has a base ratio of “one” relative to the other component (1:1, 1:2, or 1:3). Thus, the basis for the generation of derived orders on the Exchange will not be restricted to complex orders of equal size with a one-to-one ratio; instead, a derived order may be generated by using a complex order resting on the Strategy Book with two components, provided that one component of the complex order has a base ratio of one relative to the other component. For example, a complex order whose components have a size ratio of 1:3 could be used to generate a derived order, whereas a complex order whose components have a size ratio of 2:3 could not.<sup>9</sup> The Exchange notes that

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<sup>7</sup> The term “Member” means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

<sup>8</sup> The term “MBBO” means the best bid or offer on the Simple Order Book (as defined below) on the Exchange. See Exchange Rule 518(a)(13).

<sup>9</sup> A leg order may only be generated for the legs of complex orders with a ratio of 1:1, 1:2, or 1:3. (A leg order will not be generated for the legs of a complex order with a 1:4 ratio). For example, if a complex order to buy 10 of series A and sell 20 of series B is resting on the Strategy Book, a leg order will be generated for the leg to buy 10 of series A (ratio of 1:2), but not for the leg to sell 20 of series B (ratio of 2:1). If a complex order to buy 20 of series A and sell 30 of series B is resting on the Strategy Book, no leg orders will be generated for either leg (ratio is 2:3 for leg 1 and 3:2 for leg 2).

another options exchange permits a derived, or “leg” order, to be generated using a complex order with a ratio greater than 1:1.<sup>10</sup> The Exchange believes that the revision of the one-to-one ratio limitation should increase the potential number of derived orders that may be generated by the System, which should result in greater liquidity and more opportunities for participants to trade complex orders on the Exchange.<sup>11</sup>

The Exchange is also proposing to amend Rule 518(a)(9) by adding a final sentence stating that derived orders are subject to the managed interest process described in Rule 515(c)(1)(ii).<sup>12</sup> The purpose of this provision is to ensure that a derived order (which is firm for its price and size) is handled in accordance with that Rule so that it does not lock or cross an away market price at the NBBO.<sup>13</sup> An example of a derived order subject to the managed interest process is provided below.

### **Example 1**

Option A (\$.05 MPV)<sup>14</sup>

Option B (\$.05 MPV)

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<sup>10</sup> See Chicago Board Options Exchange, Inc. (“CBOE”) Rule 6.53(x).

<sup>11</sup> The Exchange notes that other exchanges require a complex order used to generate a derived or “legging” order to be for an equal quantity of two options. See, e.g., NASDAQ PHLX LLC (“Phlx”) Rule 1098(f)(iii)(C)(1). See also, Nasdaq ISE, LLC (“ISE”) Rule 715(k). The Exchange’s proposal is distinguished in that it seeks to expand its current one-to-one ratio requirement to include any complex order with a component that has a base of one with respect to the other component.

<sup>12</sup> Under the managed interest process, non-routable orders whose limit price locks or crosses the current opposite side National Best Bid or Offer (“NBBO”) are displayed one Minimum Price Variation (“MPV”) away from the current opposite side NBBO, and placed on the Simple Order Book at a price that will lock the current opposite side NBBO. Should the NBBO price change to an inferior price level, the order’s price on the Simple Order Book will continuously re-price to lock the new NBBO and the managed order’s displayed price will continuously re-price one MPV away from the new NBBO. See Exchange Rule 515(c)(1)(ii).

<sup>13</sup> 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.

<sup>14</sup> The default Minimum Price Variation (“MPV”) of an option contract trading at less than \$3.00 per option is \$.05. See Exchange Rule 510.

MBBO: \$2.00 x \$2.20  
ABBO: \$2.00 x \$2.10

MBBO: \$1.00 x \$1.05  
ABBO: \$1.00 x \$1.05

NBBO: \$2.00 x \$2.10

NBBO: \$1.00 x \$1.05

Strategy: Buy 1 Option A, Sell 1 Option B

icMBBO:<sup>15</sup> \$.95 x \$1.20  
cNBBO:<sup>16</sup> \$.95 x \$1.10

Strategy Order

Buy 1 (+1A -1B) \$1.10 net debit

The System will create a derived order to buy Option A at a price of \$2.10. The new MBBO would be \$2.10 x \$2.20. However, the \$2.10 bid price would lock the ABBO<sup>17</sup> offer for Option A, which is being quoted on an away exchange at \$2.00 x \$2.10. Therefore, the derived order will be managed in accordance with the Exchange's managed interest process. Under the Exchange's managed interest process for non-routable orders defined in Rule 515(c)(1)(ii)(A), if the limit price of an order (\$2.10 bid) locks or crosses the current opposite side NBBO (\$2.10 offer), the System will display the order one MPV (\$.05) away from the current opposite side NBBO (\$2.05 bid), and book the order at a price that will lock the current side NBBO.

Therefore, the derived order in Option A will have a Book<sup>18</sup> price of \$2.10 and will be displayed at \$2.05, the MBBO will therefore be \$2.05 x \$2.20.

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<sup>15</sup> The "icMBBO" is the Implied Complex MIAX Best Bid or Offer. The icMBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. See Exchange Rule 518(a)(11).

<sup>16</sup> The "cNBBO" is the Complex National Best Bid or Offer. The cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. See Exchange Rule 518(a)(2).

<sup>17</sup> The term "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (defined in Exchange Rule 1400(f)) and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

<sup>18</sup> The term "Book" means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

Option A

MBBO: \$2.05 x \$2.20

ABBO: \$2.00 x \$2.10

NBBO: \$2.05 x \$2.10

Should interest arrive on MIAX Options to sell at \$2.10 or lower, it will trade at \$2.10 against the derived order, as Rule 515(c)(1)(ii)(A) provides that if the Exchange receives a new order or quote on the opposite side of the market from the managed order that can be executed, the System will immediately execute the remaining contracts from the initiating order to the extent possible at the order's current Book price (\$2.10), provided that the execution price does not violate the current NBBO. The other side of the complex order will execute against the \$1.00 bid price for Option B, effectively legging the complex order for a net price of \$1.10.

The Exchange believes that generating and managing a derived order (rather than simply preventing its generation)<sup>19</sup> creates and preserves additional opportunities for complex orders to be executed as individual components against orders resting on the Simple Order Book as market conditions change.

The Exchange is also proposing to amend Rule 518(a)(9)(i) to provide more detail regarding the circumstances under which a derived order is generated by the Exchange's System, and the price at which a derived order must be generated. Currently, a derived order may be automatically generated for one or more legs of a complex order at a price: (A) that matches or improves upon the best displayed bid or offer in the affected series on the Simple Order Book; and (B) at which the net price of the complex order on the Strategy Book can be achieved when

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<sup>19</sup> Other exchanges have determined not to generate derived or "leg" orders that would lock or cross the NBBO. See, e.g., CBOE Rule 6.53C(c)(iv)(1)(A). See also, ISE Rule 715(k)(1). Despite this distinction, the Exchange's inclusion of derived orders in the managed interest process is intended to achieve the same result, i.e., to prevent a derived order from locking or crossing an away market.

the other component of the complex order is executed against the best displayed bid or offer on the Simple Order Book. Additionally, a derived order will not be displayed at a price that locks or crosses the best bid or offer of another exchange. In such a circumstance, the System will display the derived order on the Simple Order Book at a price that is one MPV away from the current opposite side best bid or offer of such other exchange, and rank the derived order on the Simple Order Book according to its actual price.<sup>20</sup>

The Exchange is proposing to amend Rule 518(a)(9)(i) to add more detail to the rule stating that a derived order may be automatically generated if the complex order is eligible for “Legging” pursuant to Rule 518(c)(2)(iii), and meets the requirements set forth therein.<sup>21</sup> The purpose of this proposed amendment is to establish clearly in the Exchange’s Rules that the System will only generate derived orders for complex orders that are eligible for legging – that is, complex orders whose components can be executed as individual legs against orders resting on the Simple Order Book. Conversely, if a complex order is not eligible for legging, then the System will not generate derived orders with respect to that complex order.<sup>22</sup>

The Exchange is proposing to amend Rule 518(a)(9)(i)(B) to make a technical modification to the current rule text. Currently, the rule provides that a derived order may

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<sup>20</sup> See Exchange Rule 518(a)(9)(ii).

<sup>21</sup> Complex orders up to a maximum number of legs (determined by the Exchange on a class-by-class basis as either two or three legs and communicated to Members via Regulatory Circular) may be automatically executed against bids and offers on the Simple Order Book for the individual legs of the complex order (“Legging”), provided the complex order can be executed in full or in a permissible ratio by such bids and offers, and provided that the execution price of each component is not executed at a price that is outside of the NBBO. See Exchange Rule 518(c)(2)(iii).

<sup>22</sup> The Exchange notes that while derived order functionality was approved with the Exchange’s filing to adopt new rules to govern the trading of Complex orders, the functionality has not yet been implemented in the System. See Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR-MIAX-2016-26).

automatically be generated for one or more legs of a complex order at a price, “at which the net price of the complex order on the Strategy Book can be achieved when the other component(s) of the complex order is (are) executed against the best displayed bid or offer on the Simple Order Book.” The Exchange proposes to make the word “components” singular by removing the “(s)” and removing the word “(are)” following the phrase “complex order” so that the new sentence has the proper subject – verb agreement. The Exchange believes this change describes System functionality with more accuracy and precision.

The Exchange is proposing to amend Rule 518(a)(9)(i)(B) to state that a derived order may be automatically generated for one or more legs of a complex order at a price at which the net price of the complex order “at the best price” on the Strategy Book can be achieved when the other component of the complex order is executed against the best displayed bid or offer on the Simple Order Book. This requirement is intended to ensure that a complex order executed by way of generating and Legging a derived order for execution against an order on the Simple Order Book is not executed at a net price that is inferior to the best net price displayed on the Strategy Book. A derived order could not, therefore, result in a trade-through of a complex order resting on the Strategy Book at the Exchange’s best displayed net price.

The Exchange is also proposing to amend Rule 518(a)(9)(vi), which describes the various circumstances under which a derived order that has been generated is removed from the Simple Order Book. Specifically, the Exchange is proposing to amend Rule 518(a)(9)(vi)(B), which currently provides that a derived order is automatically removed from the Simple Order Book if the execution of the derived order would no longer achieve the net price of the complex order on the Strategy Book when the other component of the complex order is executed against the best bid or offer on the Simple Order Book. The Exchange is proposing to replace the word “would”

with the word “may” in this sub-paragraph in order to broaden the rule to reflect that the System will remove a derived order from the Simple Order Book any time the price of the best bid or offer on the Simple Order Book changes such that the net price of the complex order to be executed may not be achieved. A price change of the best bid or offer could be either: (i) improving (raising the bid or lowering the offer) or, (ii) worsening (lowering the bid or raising the offer). In scenario (i), the derived order could remain on the Simple Order Book as it could still achieve the net price of the complex order. However, in scenario (ii), the derived order may not achieve the net price of the complex order depending upon how much the price had moved. For the sake of processing efficiency and speed, rather than perform the calculation to determine if the derived order could still achieve the net price for the complex order in scenario (ii), the System simply cancels any derived order in scenario (i) or (ii). The Exchange believes that removal of the derived order from the Simple Order Book when there is a possibility that the complex order may not be executed at its net price is prudent and is an appropriate safeguard against such an execution.<sup>23</sup> The Exchange’s System re-evaluates each strategy on the Strategy Book on a periodic basis to ascertain if the creation of a derived order is warranted. If, upon re-evaluation, the new price allows a new derived order for the strategy, such new derived order will then be created.<sup>24</sup> As re-evaluation is a continual process, the Exchange believes it is more expedient to cancel a derived order where a change in price may no longer allow the derived order to achieve the net price for the complex order and rely upon the re-evaluation process to

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<sup>23</sup> The System continually evaluates complex orders and quotes on the Strategy Book to determine, among other things, whether a derived order should be generated or cancelled. See Exchange Rule 518(c)(5)(ii). Thus, when the System cancels and removes a derived order from the Simple Order Book, the System could thereafter generate another derived order using the same complex order based upon the evaluation process if the appropriate conditions are present.

<sup>24</sup> Id.

create a new derived order when warranted. The Exchange believes that changing the language in the rule from “would” to “may” more accurately describes the operation of Exchange functionality.

The Exchange is also proposing to amend Rules 518(a)(9)(vi)(C) and (D), which currently describe the automatic removal of a derived order from the Simple Order Book when the complex order is executed in full, or is cancelled. The Exchange is proposing to consolidate sub-paragraphs (C) and (D) into one sub-paragraph (C), to delete the phrase “in full,” and to broaden the rule by stating that a derived order is automatically removed from the Simple Order Book if the complex order is executed, cancelled, or modified in any way.<sup>25</sup> The Exchange believes that any change to a complex order used to generate a derived order obviates the need for the derived order at its limit price and size on the Simple Order Book. The phrase “modified in any way” is intended to capture, without limitation, any modification to the price or size of the complex order. Such a modification could require a different limit price for the derived order to achieve the best execution price of the complex order, or result in a size ratio that does not comply with the “base of one” ratio in proposed Rule 518(a)(9) discussed above, in which case the complex order could not be executed. The Exchange is proposing to remove the derived order from the Simple Order Book when the complex order is modified in any way in order to prevent these circumstances.

The Exchange is also proposing to amend Rule 518(a)(9)(vi)(D) by deleting the current text (see above) and adopting new Rule 518(a)(9)(vi)(D) to state that a derived order is

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<sup>25</sup> This is substantially similar to rules that are currently operative on other exchanges. See ISE Rule 715(k)(3)(iii) and (iv). See also, CBOE Rule 6.53C(c)(iv)(3)(B)(II) and (III), and Phlx Rule 1098(f)(iii)(C)(4)(iii) and (iv).

automatically removed from the Simple Order Book if the strategy<sup>26</sup> enters a cPRIME Auction (as described in Rule 515A, Interpretations and Policies .12)<sup>27</sup> or a Complex Auction (pursuant to Rule 518(d)).<sup>28</sup> This would include any strategy that has, as a component, an option that is of the same type as a derived order.<sup>29</sup> To illustrate, using the example set forth above,<sup>30</sup> the System would automatically remove from the Simple Order Book the derived order in Option A if strategy AB (or any other strategy having Option A as a component) enters a cPRIME Auction or a Complex Auction. The System would wait until a cPRIME Auction or Complex Auction is concluded before creating a derived order for an option that is subject to such an auction.<sup>31</sup> A complex order that enters and is processed in a cPRIME Auction or a Complex Auction is subject to execution at improved prices against complex orders submitted in response to the

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<sup>26</sup> The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex order or by the Exchange for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time and will communicate this limitation to Members via Regulatory Circular. See Exchange Rule 518(a)(6).

<sup>27</sup> The Exchange recently adopted rules that permit the submission of complex orders for price improvement and execution in the MIAX Price Improvement Mechanism (“PRIME”). Complex orders submitted into PRIME are known as “cPRIME Orders” and are processed in a “cPRIME Auction.” See Securities Exchange Act Release No. 81131 (July 12, 2017), 82 FR 32900 (July 18, 2017)(SR-MIAX-2017-19).

<sup>28</sup> Currently, the Exchange may determine to automatically submit a Complex Auction-eligible order into a Complex Auction and begin the Complex Auction process by sending a message to participants requesting responses to the Complex Auction. See Exchange Rule 518(d). For a complete description of the Complex Auction, see Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016)(SR-MIAX-2016-26).

<sup>29</sup> An option of the same type would be either the put or call option in the same series as a component in the strategy. (E.g., if the complex strategy was a long straddle to Buy 1 JNJ Oct 141 Call and to Buy 1 JNJ Oct 141 Put, a derived order in either of those options would be considered an option of the same type, and would be removed if the strategy entered a cPRIME Auction or a Complex Auction).

<sup>30</sup> See Example 1 on page 6 [sic].

<sup>31</sup> See supra note 23.

Exchange's notification, and thus could cause the derived order to be priced such that it may no longer achieve the best net price of the complex order. In this situation, therefore, the System will automatically remove the derived order from the Simple Order Book. Finally, the Exchange proposes to amend Rule 518(a)(9)(vi)(E) by adding a sentence stating that, if a derived order is removed from the Simple Order Book, the System will continually evaluate any remaining complex order(s) on the Strategy Book to determine whether a new derived order should be generated, as described in Rule 518(c)(5).<sup>32</sup> The purpose of this provision is to ensure that a new derived order can and will be generated by the System under the proper conditions even after a previously generated derived order has been removed from the Simple Order Book. The Exchange believes that this provides additional opportunities to execute complex orders through Legging using derived orders as market conditions change.

The Exchange believes that the proposed rule change relating to derived orders will facilitate more interaction between the Strategy Book and the Simple Order Book, resulting in increased execution opportunities and better execution prices for complex orders and for orders resting on the Simple Order Book.

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.

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Id.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>33</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>34</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 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's proposal to amend Rule 518(a)(9) to remove the limitation on the generation of derived orders to use only complex orders of equal size with a one-to-one ratio, and instead to permit a derived order to be generated by using a complex order resting on the Strategy Book with a ratio of greater than one-to-one, provided that one component of the complex order that is used to generate the derived order has a base ratio of one relative to the other component, is designed to remove impediments to and perfect the mechanisms of a free and open market and a national market system. Specifically, the Exchange believes that this proposal will increase the number of derived orders that may be generated on the Exchange, thus enhancing liquidity and increasing the number of opportunities for the execution of complex orders on the Exchange.

The Exchange's proposal to state in Rule 518(a)(9) that derived orders are subject to the managed interest process described in Rule 515(c)(1)(ii) is designed protect investors and the public interest by ensuring that a derived order (which is firm for its price and size) does not lock or cross an away market price at the NBBO. If a derived order were to lock or cross an away

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<sup>33</sup> 15 U.S.C. 78f(b).

<sup>34</sup> 15 U.S.C. 78f(b)(5).

market price at the NBBO, the Exchange would not be able to route the derived order to such a market because derived orders are not routable. The inclusion of derived orders in the managed interest process thus protects investors and the public interest by removing the possibility that this situation could occur, while maintaining the derived order on the Simple Order Book.

The proposed amendment to Exchange Rule 518(a)(9)(i), adding the requirement that a derived order may be automatically generated if the complex order is eligible for Legging pursuant to Rule 518(c)(2)(iii), is designed to remove impediments to and perfect the mechanisms of a free and open market by establishing clearly in the Exchange's Rules that the System will generate derived orders only for complex orders whose components (including the component represented by a derived order) can be executed as individual legs against orders on the Simple Order Book. In order for a component to be executed against an order on the Simple Order Book, the complex order must be executed by way of its individual legs; there is thus no need for, or purpose in, generating a derived order for a complex order that is not eligible for Legging.

The Exchange's proposal to amend Rule 518(a)(9)(i)(B) to clarify the conditions required for the creation of derived orders would promote just and equitable principles of trade and remove impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality.

The Exchange's proposal to amend Rule 518(a)(9)(i)(B), to require that a derived order be generated at a price at which the net price of the complex order at the best price on the Strategy Book can be achieved, is designed 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 by ensuring that a complex order executed by way of Legging

against orders on the Simple Order Book could not result in a trade-through of a complex order at the Exchange's best displayed net price.

The proposed amendment to Exchange Rule 518(a)(9)(vi)(B) is designed 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 by ensuring that a derived order is removed from the Simple Order Book any time the price of the best bid or offer on the Simple Order Book changes such that the net price of a complex order at the top of the Strategy Book may not be achieved by executing the derived order and another order at the changed price, thus protecting investors by ensuring a safeguard against such an execution.

The proposed amendments to Rules 518(a)(9)(vi)(C) and (D), describing the automatic removal of derived orders from the Simple Order Book, are designed to protect investors and the public interest by ensuring that derived orders do not result in executions that trade through the top of the Exchange's Simple Order Book and Strategy Book, and that executions on the Simple Order Book and on the Strategy Book do not result in prices that trade through away markets.

Amended Rule 518(a)(9)(vi)(E), stating that the System will continually evaluate any remaining complex order(s) on the Strategy Book to determine whether a new derived order should be generated, ensures that a new derived order can and will be generated by the System under the proper conditions even after a previously generated derived order has been removed from the Simple Order Book. This provision is designed to promote just and equitable principles of trade and also to remove impediments to and perfect the mechanisms of a free and open market and a national market system by providing more opportunities to execute complex orders through Legging using derived orders as market conditions change.

The Exchange also believes that the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system by attracting more order flow and by increasing the frequency with which MIAX Options participants are able to trade complex orders.

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. The Exchange believes that the proposed rule change enhances intermarket competition by providing market participants with additional opportunities to execute complex orders through the generation of a greater number of derived orders using an expanded permissible size ratio. The Exchange believes that the additional opportunities to trade complex orders will result in the submission of more complex orders for execution on the Exchange, thus enhancing the Exchange's competitive position by increasing liquidity and order flow on the Exchange. Moreover, the proposed rule change is consistent with the rules of other exchanges, as cited above.<sup>35</sup>

The Exchange also believes that its proposal enhances intra-market competition, as all Exchange participants in the same category are able to participate on an equal basis with respect to the trading of complex orders.

For all the reasons stated, 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, and believes the proposed change will in fact enhance competition.

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<sup>35</sup> See supra notes 10, 11, 19 and 25.

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 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 Act<sup>36</sup> and Rule 19b-4(f)(6) thereunder.<sup>37</sup>

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 change 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:

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<sup>36</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>37</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

- 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-2017-44 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-2017-44. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-MIAX-2017-44 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>38</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>38</sup> 17 CFR 200.30-3(a)(12).