

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-82137; File No. SR-MIAX-2017-46)

November 21, 2017

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the MIAX Order Feed (“MOR”)

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 November 17, 2017, Miami International Securities Exchange, LLC (“MIAX Options” or the “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 a proprietary options market data product.

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.

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 the MIAX Order Feed (“MOR”) to reflect the addition of a new feature. The Exchange is proposing to indicate the Priority Customer<sup>3</sup> volume represented by derived orders, in connection with the Exchange’s upcoming launch of derived orders.<sup>4</sup>

Background

The Exchange established MOR in 2015.<sup>5</sup> MOR is a real-time full order book data feed that provides information regarding all orders on the Exchange’s order book, including both simple and complex orders, to enable users to keep track of the entire order book for all symbols listed on MIAX Options. MOR provides the following information regarding each order: product ID, order price, order original volume, remaining volume open, and origin code (which specifies

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<sup>3</sup> The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial accounts(s). The term “Priority Customer Order” means an order for the account of a Priority Customer. See Exchange Rule 100.

<sup>4</sup> See Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR-MIAX-2016-26); see also Exchange Act Release No. 81967 (October 27, 2017), 82 FR 50916 (November 2, 2017) (SR-MIAX-2017-44).

<sup>5</sup> See Securities Exchange Act Release No. 74759 (April 17, 2015), 80 FR 22749 (April 23, 2015) (SR-MIAX-2015-28) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Establish the MIAX Order Feed (“MOR”) Data Product).

the order origin type as Priority Customer, Firm, Broker/Dealer, Market Maker<sup>6</sup>, non-MIAX Market Maker, or non-Priority Customer). The Exchange amended the MOR in 2016 in connection with the launch of complex orders on the Exchange, in order to include such complex orders in MOR.<sup>7</sup> The Exchange updates MOR upon receipt of each order or change in status to any order resting on the book (e.g., routing, trading, or cancelling of the order). The Exchange makes MOR available, for the applicable fee, to any user that requests this data feed product.

### Proposal

With the introduction of derived orders on the Exchange, the Exchange now proposes to add a new feature to MOR to indicate the Priority Customer volume represented by a derived order. A derived order<sup>8</sup> 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>9</sup> Derived orders are not routed outside of the Exchange regardless of the price(s) disseminated by away markets. The Exchange determines, on a class-by-class basis, whether to make available derived orders, and communicates such determination to Members<sup>10</sup> via a Regulatory Circular. Derived orders are firm orders (i.e., if executed, firm for the disseminated

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<sup>6</sup> The term “Market Makers” refers to Lead Market Makers (“LMMs”), Primary Lead Market Makers (“PLMMs”), and Registered Market Makers (“RMMs”) collectively. See Exchange Rule 100.

<sup>7</sup> See Securities Exchange Act Release No. 79146 (October 24, 2016), 81 FR 75171(October 28, 2016) (SR-MIAX-2016-36).

<sup>8</sup> See Exchange Rule 518(a)(9).

<sup>9</sup> The “Strategy Book” is the Exchange’s electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

<sup>10</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.

price and size) that are included in the MBBO.<sup>11</sup>

Currently, for both simple orders and complex orders, MOR identifies the origin type of the order, as well as the order's original volume and the remaining volume open. As discussed above, one example of an existing origin type is Priority Customer. Also as discussed above, MOR currently displays the volume associated with any such Priority Customer order. However, with the introduction of derived orders on the Exchange and the inclusion of derived orders within MOR, the origin type of a derived order, for purposes of display on MOR, will simply be 'derived.' However, a derived order can be created for and represent an order for any permissible origin type on the Exchange. And for purposes of display on MOR, a single derived order can represent multiple orders for multiple permissible origin codes on the Exchange (provided all such derived orders are for the same product ID and at the same price). For example, for purposes of display on MOR, a single derived order could consist of two orders (one with an origin code of Priority Customer and one with an origin code of Firm). The Exchange believes that recipients of MOR would be interested in seeing the Priority Customer volume associated with a derived order (as they are accustomed to seeing the volume associated with non-derived Priority Customer orders in MOR), and thus proposes to include, as a separate feature associated with derived orders displayed in MOR, the Priority Customer volume associated with such derived orders.

The proposed new feature to MOR – including Priority Customer volume represented by derived orders in MOR – while a new feature, is not completely novel and does not raise any new regulatory issues, as the Exchange currently makes available Priority Customer origin code information and Priority Customer volume information with respect to all (i) simple, non-derived

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<sup>11</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).

Priority Customer orders on the Exchange, and (ii) complex Priority Customer orders from which the derived orders are created. Thus, the Exchange believes that this new feature is not completely novel and is non-controversial. The Exchange believes that this new feature will make information that could otherwise already be discerned by recipients of MOR through looking at complex order information more easily accessible for users. Without this new feature, for a derived order displayed on MOR, users would only be able to identify the simple order as a derived order, and would not know how much volume of the simple order was represented by Priority Customer volume. To obtain that information, a user could identify the complex order in MOR from which that derived order was created, and discern the origin type and volume of that complex order, thus determining the origin type (e.g., Priority Customer) and volume associated with the simple order. The new proposed feature simply makes information that could otherwise already be discerned by recipients of MOR through looking at complex order information more easily accessible for users.

The Exchange believes that the proposed new feature of MOR will enhance subscribers' ability to make decisions on trading strategy, and provide data that should help bring about such decisions in a timely manner, which will benefit investors and the public interest. The Exchange also believes that the enhanced feature of MOR will assist market participants in making routing decisions concerning their options orders.

The Exchange makes MOR equally available to any market participant that wishes to subscribe to it. MOR is designed to enhance a user's ability to analyze market conditions, and to create and test trading models and analytical strategies. The Exchange believes that MOR is a valuable tool that subscribers can use to gain comprehensive insight into the limit order book in a particular option. The inclusion of total Priority Customer volume included in a given derived

order will allow subscribers to obtain more insight into order flow and permit them to make targeted trading decisions.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>13</sup> in particular, in that they are 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.

MOR is designed to promote just and equitable principles of trade by providing all subscribers with limit order book data that should enable them to make informed decisions on trading strategy on the Exchange by using MOR to assess current market conditions that directly affect such decisions. The proposed new feature to MOR facilitates transactions in securities, removes impediments to and perfects the mechanisms of a free and open market and a national market system by enhancing subscribers' ability to make decisions on trading strategy, and by providing data that should help bring about such decisions in a timely manner, all for the benefit of investors and the public interest. The proposed new feature to MOR removes impediments to, and is designed to further perfect, the mechanisms of a free and open market and a national market system by making the MIAX Options market more transparent and accessible to market participants making routing decisions concerning their options orders. Additionally, the proposed new feature to MOR is also designed to protect investors and the public interest by making

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

information that could otherwise already be discerned by recipients of MOR through looking at complex order information more easily accessible for users. Furthermore, the Exchange believes that the proposed new feature to MOR 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 enhancing a user's ability to analyze market conditions, and to create and test trading models and analytical strategies. It also enables MIAX Options to compete with such other exchanges, thereby offering market participants with additional data in order to seek the market center with the best price and the most liquidity on which to execute their transactions, all to the benefit of investors and the public interest, and to the marketplace as a whole.

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

MIAX Options 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. On the contrary, the Exchange believes that the proposed new feature to MOR will enhance competition in the U.S. options markets by providing subscribers on MIAX Options a market data product with an enhanced feature thereby making it more competitive with comparable products offered by other exchanges.

Additionally, respecting intra-market competition, the enhanced feature in MOR will be available to all subscribers at no additional cost, thus providing all subscribers to MOR with an even playing field with respect to information and access to trading on MIAX Options.

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>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</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.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2017-46 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-2017-46. 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-2017-46 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>16</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).