SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85512; File No. SR-MIAX-2019-17)

April 4, 2019

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

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 March 27, 2019, 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 the MIAX Options Fee Schedule (the “Fee Schedule”) to amend its fees and rebates for Qualified Contingent Cross (“QCC”) orders and Complex Qualified Contingent Cross (“cQCC”) orders.

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

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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 Sections 1)a)vii) and viii) of the Fee Schedule to amend its fees and rebates for QCC and cQCC Orders. A QCC Order is comprised of an order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade, coupled with a contra side order to buy or sell an equal number of contracts.³ Currently, the Exchange assesses a transaction fee for all types of market participants other than Priority Customer⁴ for QCC Orders of $0.15 per contract (Priority Customer orders are assessed a charge of $0.00 per contract) for the Initiator and the Contra-side. In addition, the Exchange currently pays a $0.10 per contract rebate for the initiating order, regardless of the type of market participant. The rebate is paid to the Member⁵ that enters the order into the System⁶, but is only paid on the initiating side of the QCC transaction. No rebates are paid for QCC transactions in

³ A Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 mini-option contracts, that is identified as being part of a qualified contingent trade, as that term is defined in Interpretation and Policy .01 to Rule 516, coupled with a contra-side order or orders totaling an equal number of contracts. See Exchange Rule 516(j).

⁴ 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). See Exchange Rule 100.

⁵ 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.

⁶ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.
which both the initiator and contra-side orders are from Priority Customers. The Exchange notes that with regard to order entry, the first order submitted into the System is marked as the initiating side and the second order is marked as the contra side.

The Exchange now proposes to increase the Per Contract Fee for Contra-side QCC Orders for all types of market participants other than Priority Customer from $0.15 to $0.17 (Priority Customer orders will continue to be assessed a Per Contract Fee for Contra-side QCC Orders of $0.00). The Exchange does not propose to change the Per Contract Fee for Initiator QCC Orders for any market participants. In addition, the Exchange proposes to increase the Per Contract Rebate for Initiator QCC Orders for all types of market participants from $0.10 per contract to $0.14 per contract. The Exchange is not proposing to change that no rebates will be paid for QCC transactions for which both the Initiator and Contra-side orders are Priority Customers.

A cQCC Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, coupled with a contra-side complex order or orders to sell or buy an equal number of contracts.\(^7\) Currently, the Exchange assesses a transaction fee for all types of market participants other than Priority Customer for cQCC Orders of $0.15 per contract (Priority Customer orders are assessed a charge of $0.00 per contract) for the Initiator and the Contra-side. In addition, the Exchange currently pays a $0.10 per contract rebate for the initiating order, regardless of the type of market participant. No rebates are paid for cQCC transactions in which both the initiator and contra-side orders are from Priority Customers. All fees and rebates are per contract per leg.

\(^7\) See Exchange Rule 518(b)(6).
The rebate is paid to the Member that enters the order into the System, but is only paid on the initiating side of the cQCC transaction.

The Exchange now proposes to increase the Per Contract Fee for Contra-side cQCC Orders for all types of market participants other than Priority Customer from $0.15 to $0.17 (Priority Customer orders will continue to be assessed a Per Contract Fee for Contra-side cQCC Orders of $0.00). The Exchange does not propose to change the Per Contract Fee for Initiator cQCC Orders for any market participants. In addition, the Exchange proposes to increase the Per Contract Rebate for Initiator cQCC Orders for all types of market participants from $0.10 per contract to $0.14 per contract. The Exchange is not proposing to change that no rebates will be paid for cQCC transactions for which both the initiator and contra-side orders are Priority Customers.

The Exchange notes that QCC and cQCC Orders are excluded from: (i) the volume threshold calculations for the Market Maker Sliding Scale; (ii) the rebates and volume calculations as part of the Priority Customer Rebate Program; (iii) participation in the Professional Rebate Program; and (iv) the Marketing Fee that is assessed to Market Makers in their assigned classes in simple or complex order executions when the contra-party to the execution is a Priority Customer.

The purpose of increasing the specified QCC and cQCC Order fees and rebates is for business and competitive reasons. The Exchange believes that it is appropriate to adjust these specified QCC and cQCC Order fees and rebates in order to attract additional QCC and cQCC order flow and grow its market share in this segment, through offering a higher rebate (than the Exchange currently offers) and fees that are consistent with other exchanges, effectively lowering the overall cost to Members executing these orders on the Exchange. The Exchange
notes that other competing exchanges similarly provide rebates on QCC and cQCC initiating orders, and similarly charge fees on QCC and cQCC on Contra-side orders.

The proposed rule change is to become operative April 1, 2019.

2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(4) of the Act in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Exchange Members and issuers and other persons using its facilities. The Exchange also believes the proposal furthers the objectives of Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to

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8 See BOX Fee Schedule, Section I(D)(1) (a $0.14 per contract rebate will be applied to the Agency Order where at least one party to the QCC transaction is a Non-Public Customer); see also Cboe Fee Schedule, “QCC Rate Table,” Page 5 (a $0.10 per contract credit will be delivered to the TPH Firm that enters the order into Cboe Command but will only be paid on the initiating side of the QCC transaction); see also NYSE American Options Fee Schedule, Section I.F (a $0.07 credit is applied to Floor Brokers executing 300,000 or fewer contracts in a month and a $0.10 credit is applied to Floor Brokers executing more than 300,000 contracts in a month); see also Nasdaq ISE Pricing Schedule, Options 7, Section 6, Other Options Fees and Rebate, A. QCC and Solicitation Rebate (rebates range from $0.00 to $0.11 per contract).

9 See BOX Options Market LLC (“BOX”) Fee Schedule, Section I(D) (BOX does not charge Public Customers but charges Professional Customers, Broker-Dealers and Market Makers $0.17 per contract on both Agency and Contra Orders); see also Cboe Exchange, Inc. (“Cboe”) Fee Schedule, “QCC Rate Table,” Page 5 (Cboe charges non-Public Customers $0.17 per contract and does not charge Public Customers); see also NYSE American Options Fee Schedule, Section I.F (NYSE American charges Non-Customers $0.20 per contract, Specialists and e-Specialists $0.13 per contract, and does not charge Customer and Professional Customers).


protect investors and the public interest and is not designed to permit unfair discrimination between customer, issuers, brokers and dealers.

The Exchange believes its proposal to increase the Per Contract Fee for Contra-side QCC and cQCC Orders is reasonable, equitable and not unfairly discriminatory because, at the same time, the Exchange is proposing to increase the Per Contract Rebate for Initiator QCC and cQCC Orders for all types of market participants, effectively resulting in a lower, all-in execution cost for Members for these orders. The Exchange believes that the proposed fee and rebate changes are reasonable, equitable, and not unfairly discriminatory because the proposed fees and rebates are intended to attract additional QCC and cQCC Order flow, grow the Exchange’s market share in this segment by effectively reducing the all-in execution cost for these orders to the benefit of all market participants.

Additionally, the Exchange believes that the proposed increase to the Per Contract Fee for Contra-side QCC and cQCC Orders is not unfairly discriminatory because the proposed fees would be charged to all market participants other than Priority Customers. Assessing QCC and cQCC Order rates to all market participants other than Priority Customer is equitable and not unfairly discriminatory because Priority Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Priority Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. By assessing a $0.00 fee for Priority Customer orders, the Exchange believes the proposed QCC and cQCC Order fees will not discourage the sending of Priority Customer orders. The Exchange believes the proposed increase to the Per Contract Fee for Contra-side
QCC and cQCC Orders for all types of market participants is reasonable because the proposed amount is in line with the amount assessed at other Exchanges for similar transactions.\(^\text{13}\)

The Exchange believes the proposed increase to the Per Contract Rebate for Initiator QCC and cQCC Orders for all types of market participants is reasonable because the rebate will offset the fee resulting in a lower all-in execution cost for Members for these orders, even with the proposed increase to the Per Contract Fee for Contra-side QCC and cQCC Orders. Further, other competing exchanges also provide rebates on the initiating order side and the proposed rebate amount is within the range of the rebate amounts at the other competing exchanges.\(^\text{14}\) The Exchange believes the proposed increase to the rebate is equitable and not unfairly discriminatory because it applies to all Members that enter the initiating order (except for when both the initiator and contra-side orders are Priority Customers) and because it is intended to incentivize the sending of more QCC and cQCC Orders to the Exchange. The Exchange believes it is reasonable, equitable and not unfairly discriminatory to not provide a rebate for the Initiator for QCC and cQCC Orders for which both the Initiator and the Contra-side are Priority Customers since Priority Customers are already incentivized by being assessed a fee of $0.00 for submitting QCC and cQCC 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, because the proposed rule change applies to all Members. The Exchange believes this proposal will not cause an unnecessary burden on intermarket competition because the proposed changes will actually enhance the competitiveness of the Exchange relative to other exchanges which offer

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\(^{13}\) See supra note 9.

\(^{14}\) See supra note 8.
comparable fees and rebates for QCC and cQCC Orders. To the extent that the proposed changes make the Exchange a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become market participants on the Exchange.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. The Exchange believes that the proposed rule change reflects this competitive environment because it establishes a fee structure in a manner that encourages market participants to direct their order flow, to provide liquidity, and to attract additional transaction volume to the Exchange.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act, and Rule 19b-4(f)(2) 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](http://www.sec.gov/rules/sro.shtml)); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2019-17 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-2019-17. 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](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-2019-17, 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.17

Eduardo A. Aleman
Deputy Secretary