MIAX Futures

Pre-Execution Communication and Crossing Protocols FAQ

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Pre-Execution Communication and Crossing Protocols FAQ

Q1: What are Pre-Execution Communications?

A1: Pre-execution communications are defined as communications between market participants for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that involves discussion of the size, side of market or price of an order, or a potentially forthcoming order, constitutes a pre-execution communication.

Q2: What types of Pre-Execution Communication Crossing Protocols are permitted at MIAX Futures Exchange (MIAX Futures)?

A2: Currently MIAX Futures allows the use of Request for Quote ("RFQ") + Request for Cross ("RFC") ("R-Cross") within the prescribed methods under MIAX Futures Rule 3.4.2.

Q3: What is an RFQ and an RFC?

A3: RFQ is an electronic notification sent by the Electronic Trading System expressing interest in a specific product or strategy. An RFC is a functionality on the Electronic Trading System that permits a buy and sell order resulting from pre-execution communication to be entered via a single entry.

Q4: What are the requirements for permissible Pre-Execution Communications?

A4: A party may not engage in pre-execution communications with market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications. Additionally, parties involved in pre-execution communications shall not disclose to a non-party the details of such communications or enter an order to take advantage of information conveyed during such communications in accordance with MIAX Futures Rule 3.4.2.

Q5: What is the procedure for entering an R-Cross order?

A5: Following the pre-execution communication, an RFQ for the futures or options must be entered into the Electronic Trading System. Thereafter, the RFC order must be entered no less than five (5) seconds for futures, or fifteen (15) seconds for options, as well as no more than thirty (30) seconds for either futures or options after the entry of the RFQ in order to proceed with the trade.

Q6: What happens if the R-Cross order is entered after thirty (30) seconds?

A6: Failure to enter the RFC within thirty (30) seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC, and in accordance with the aforementioned timing parameters.

Q7: Can other Market Participants see an incoming R-Cross order?

A7: Neither the price nor the quantity of the orders on the RFC is displayed to the marketplace. Additionally, there is no information on the participant-entered RFQ which identifies that an RFC is forthcoming. A participant-entered RFQ in connection with an R-Cross is indistinguishable from a generic RFQ sent to the Electronic Trading System.

Q8: What is the matching algorithm for an R-Cross Order?

A8: The matching algorithm for an R-Cross order is as follows:

- If the RFC price improves both the best bid and best offer in the order book or if there is no bid/offer in the order book, 100% of the RFC quantity will match at the RFC price immediately upon submission of the RFC.
- If the RFC price matches or is outside the best bid or offer in the market, the applicable side of the RFC order will immediately match against the orders in the book at a price better than or equal to the RFC price. Immediately thereafter, 100% of the smaller quantity remaining on one side of the RFC will match against the order on the opposite side of the RFC at the RFC price. Any unmatched balance on one side of the RFC will remain in the order book unless it is cancelled by the user.

Q9: Does Pre-Execution Communication need to be recorded?

A9: Pre-Execution Communication is required to be recorded pursuant to MIAX Futures Rule 2.3.1. Additionally, the parties engaging in Pre-Execution Communication shall be responsible for submitting records to the Department of Audits and Investigations upon Exchange request pursuant to MIAX Futures Rule 2.3.5.

Q10: What MIAX Futures contracts are eligible for R-Cross orders?

A10: R-Cross protocols are only permissible in futures and options for MIAX Futures Minneapolis Hard Red Spring Wheat products.

Additional information on the R-Cross and crossing protocols is available here.

Questions regarding this FAQ may be directed to the Department of Audits and Investigations at (612) 321-7101 or at miaxfuturescompliance@miaxglobal.com**.**

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