

MIAX Emerald Options Exchange Regulatory Circular 2022-66

DATE: December 5, 2022

TO: MIAX Emerald Options Exchange Members

FROM: MIAX Exchange Group Regulatory Department

RE: Adoption of New Exchange Rule 532, Order and Quote Protection Mechanisms and Risk Controls, and Amendments to Rule 518, Complex Orders

This Regulatory Circular is to inform MIAX Emerald Options Exchange Members that a proposed rule change to adopt new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls, and to amend Rule 518, Complex Orders, will become effective on the Exchange on December 12, 2022.

The Exchange is amending Exchange Rule 518, Complex Orders, to relocate the Vertical Spread Variance (“VSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, Implied Away Bid or Offer (“ixABBO”) Price Protection, Complex MIAX Options Price Collar Protection, and Market Maker Single Side Protection, to New Rule 532, Order and Quote Protection Mechanisms and Risk Controls.

Additionally, the Exchange is adopting a Butterfly Spread Variance (“BSV”) Price Protection, a Max Put Price Protection, and Managed Protection Override functionality to new Rule 532.

Butterfly Spread Variance (“BSV”) Price Protection

The Exchange will determine a Butterfly Spread Variance (“BSV”) which establishes minimum and maximum trading price limits for Butterfly Spreads. The minimum trading price limit of a Butterfly Spread is zero minus a pre-set value. The maximum possible trading price limit of a Butterfly Spread is the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price) plus a pre-set value.

If the execution price would be outside the minimum or maximum trading price limit, such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. The remaining interest will be placed on the Strategy Book and managed to the appropriate trading price limit or cancelled if the Managed Protection Override is enabled.

Max Put Price Protection

The Exchange will determine a maximum trading price limit for a Put option as the strike price plus a pre-set value. Put bid orders priced through the maximum trading price limit will trade up to, and including the maximum trading price limit, and then will be managed at the limit of the allowable range, or canceled if the Managed Protection Override is enabled.

Managed Protection Override

The Managed Protection Override is a setting that, when enabled, allows Members to have their orders canceled after a risk protection is triggered. If enabled the Managed Protection Override will apply to all of the risk protections listed below.

- Vertical Spread Variance (“VSV”) Price Protection
- Calendar Spread Variance (“CSV”) Price Protection
- Butterfly Spread Variance (“BSV”) Price Protection
- Parity Price Protection
- Max Put Price Protection

The Exchange is also adopting a new MIAX Strategy Price Protection (“MSPP”) for complex orders with a time-in-force of Day or GTC. The MSPP establishes a maximum protected price for buy orders and a minimum protected price for sell orders. Orders priced through the MSPP will be executed up to, and including the MSPP for buy orders, or down to, and including the MSPP for sell orders. Any unexecuted portion of such a complex order will be cancelled.

Complete details regarding the changes can be found in the Exchange’s rule filing, [SR-EMERALD-2022-30](#).

Contact MIAX Emerald Trading Operations at TradingOperations@MIAXOptions.com or (609) 897-7302 with any questions about the changes.

Regulatory inquiries should be directed to Regulatory@MIAXOptions.com or (609) 897-7309.