



**DATE:** August 27, 2020

**TO:** All MIAX Exchange Group Members

**FROM:** MIAX Exchange Regulatory Department

**RE:** Adoption of Changes to Minor Rule Violation Plans adding CAT Reporting Compliance Rules

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This Regulatory Circular is to inform MIAX Options, MIAX PEARL and MIAX Emerald (collectively “MIAX” or the “Exchanges”) Members that MIAX has adopted changes to the Exchanges’ Minor Rule Violation Plans (“MRVPs”) to make Members’ violations of the Consolidated Audit Trail (“CAT”) compliance rules (“CAT Compliance Rules”)<sup>1</sup> eligible for disposition with a minor rule violation fine, when warranted.

All Exchange CAT Compliance Rule violations became eligible for disposition under the MRVPs by August 25, 2020.<sup>2</sup> As outlined in a recent Information Memorandum for all Members, dated July 2, 2020, the Exchanges, FINRA, and all CAT NMS Plan Participants have entered into an amended plan pursuant to Rule 17d-2 under the Securities Exchange Act of 1934 (the “Rule 17d-2 Plan”) and Regulatory Services Agreements (“RSAs”) to coordinate regulation of the CAT Compliance Rules.<sup>3</sup>

The changes to the Exchanges’ MRVPs for CAT Compliance Rule violations discussed in this Information Memorandum are consistent with coordinated regulation under the Rule 17d-2 Plan and the RSAs. A summary of the key changes is as follows.<sup>4</sup>

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<sup>1</sup> See MIAX Options Rule Chapter XVII (Consolidated Audit Trail Compliance Rule), MIAX PEARL Rule Chapter XVII (Consolidated Audit Trail Compliance Rule) and MIAX Emerald Rule Chapter XVII (Consolidated Audit Trail Compliance Rule).

<sup>2</sup> See [SR MIAX 2020 17](#) and [SR PEARL 2020 07](#)

<sup>3</sup> See [MIAX Options Regulatory Circular 2020-33](#), [MIAX PEARL Regulatory Circular 2020-27](#), and [MIAX Emerald Regulatory Circular 2020-30](#)

<sup>4</sup> The text of the revised rules is attached to this Information Memorandum, and a full description of the revised rules as compared to the Exchanges’ former rules, are available in the proposed rule changes as filed with the Securities and Exchange Commission, available at [SR MIAX 2020 17](#) and [SR PEARL 2020 07](#). Members should familiarize themselves with the revised rules.



For failures to comply with the CAT Compliance Rule requirements, the Exchanges may impose a minor rule violation fine of up to \$2,500.<sup>5</sup> For more serious violations, formal disciplinary action may be sought. The following factors will help guide the Exchanges and FINRA in determining the appropriate disposition:

- total number of reports that are not submitted or submitted late;
- the timeframe over which the violations occur;
- whether violations are batched;
- whether the violations are the result of the actions of one individual or the result of faulty systems or procedures;
- whether the firm has taken remedial measures to correct the violations;
- prior minor rule violations within the past 24 months;
- collateral effects that the failure has on customers; and
- collateral effects that the failure has on the Exchange's ability to perform its regulatory function.<sup>6</sup>

For questions regarding CAT reporting compliance, contact MIAX Regulation at [Regulatory@MIAXOptions.com](mailto:Regulatory@MIAXOptions.com) or (609) 897-7309.

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<sup>5</sup> See MIAX Options Rule 1014 Imposition of Fines for Minor Rule Violations, section (d)(15), MIAX PEARL Rule 1014 Imposition of Fines for Minor Rule Violations, section (d)(14) and MIAX Emerald Rule Chapter X Discipline.

<sup>6</sup> These factors also are used to inform dispositions for violations of OATS reporting rules. See FINRA Notice to Members 04-19 (March 2004), available at <https://www.finra.org/rules-guidance/notices/04-19>.