

MIAX Options Exchange Regulatory Circular 2024-54

DATE: September 26, 2024

TO: MIAX Options Members

FROM: MIAX Regulatory Department

RE: Updated SPIKES Options Market Maker Incentive Program

This MIAX Options Regulatory Circular, dated September 26, 2024 (MIAX Options Regulatory Circular 2024-54), updates and supercedes, in its entirety, [MIAX Options Regulatory Circular 2021-56](#) dated September 30, 2021.

MIAX Options will adjust the monthly Market Maker Incentive Program (the “Incentive Program”) for SPIKES Options with new terms beginning October 1, 2024, and ending January 31, 2025:

SPIKES Options Market Maker Incentive Program				
Width Requirement	Minimum Time in Market	Average Quote Size (both sides)	Incentive 1	Incentive 2
Maximum baseline averages for ITM and OTM SPIKES options as determined by the Exchange	70% (front 2 contract months)	25	\$5,000 per Market Maker per month*	Quality Width Spread Rebate described below**

*Incentive 1

Each Market Maker that satisfies the width, time in market, and average quote size requirements above, the specific details of which can be found below, will be entitled to receive Incentive 1 for that particular month. If more than two (2) Market Makers satisfy the requirements for Incentive 1, each Market Maker will receive a pro-rata share of the maximum compensation pool of \$10,000.

**Incentive 2

Each Market Maker that exceeds the requirements of Incentive 1, set forth above, may earn an additional rebate each month. The specific eligibility requirements and calculations for Incentive 2 can be found below. Each qualifying Market Maker will then receive a pro-rated percentage of the compensation pool based on their average quality (measured in basis points) better than the minimum. The compensation pool size for Incentive 2 will be capped at \$25,000 per month for all qualifying Market Makers, and capped at \$12,500 per month per Market Maker.

Requirements:

- Must be a registered MIAX Market Maker to participate in the Incentive Program
- No specific sign-up needed
- Applicable to the 1st **two** listed monthly expirations. The expiry will **roll** on the Monday prior to the SPIKES expiration
 - In the event there is only one monthly expiration listed, the requirements are only applicable to that single month

Incentive Program Qualifications:

- 1) Quoting 70% of time in market (TIM) applicable to a set of Program Options (PO)^{^1} Measured over the entire month
- 2) Average quote size requirement of **25** contracts in each PO during TIM. (Average of bid and offer size for each individual PO)
- 3) ITM POs require a maximum bid/ask spread of **300 Bps** to count towards TIM
- 4) OTM POs require a maximum bid/ask spread of **200 Bps** to count towards TIM

*Note: [bps = {(Ask\$-Bid\$)/Future price}*10,000] where ITM and OTM are determined by:*

a. ITM call = Strikes where, {SPK(t)-Strike(t)} is ≥ 0 , plus the 1st Call where SPK(t)- Strike < 0

b. OTM call = all remaining strikes

c. ITM put = Strikes where {Strike(t)-SPK(t)} is ≥ 0 , plus the 1st Put where SPK(t)-Strike < 0

d. OTM put = all remaining strikes where, SPK(t)=live SPK "Mid" price for the future with same expiration date

Measurements:

- 1) A "Snapshot" will be recorded each second (randomly within this second) during Regular Trading Hours (RTH), generally 9:30-4:15 ET
- 2) For Each Snapshot:
 - a. Each PO will be measured for width and size
 - b. A PO where the market width is equal to or less than the maximum spread AND has an average bid & ask size equal to or greater than the minimum size is a Qualifying PO (QPO)
- 3) The sum of QPOs in the month divided by the total number of POs in the month will determine if the 70% threshold has been achieved

Incentive One Pool	Incentive Two Pool
<p>Minimum Qualifications Pool</p> <ol style="list-style-type: none"> 1. Member must meet the four qualifications, per monthly calculation, to participate 2. \$10,000 pool capped at \$5,000 per Member 3. If more than two Members qualify, the pool will be equally distributed among the Members 	<p>Market Quality Pool</p> <ol style="list-style-type: none"> 1. Available to all Members who qualify for the Minimum Qualifications Pool 2. A Member's final score for the Market Quality Pool determined as: <ol style="list-style-type: none"> (a) (Average of the BPS measurement from all ITM QPOs)*25% + (Average of the BPS measurement from all OTM QPOs)*75% (b) Subtract the result from the requirement "score" of 225.00, where maximum = (300 bps*25% + 200bps*75%)=225.00 (c) This is the Member's Improvement Value (MIV) 3. Average the sum of the results in 2.c. for all Members who qualify for the Minimum Qualifications Pool 4. Multiply the result of 3. by \$5,000 to determine the total pool size (capped at \$25,000) 5. Distribute the pool to each Member based on their MIV on a pro-rata basis <ol style="list-style-type: none"> (a) For each Qualifying Member, divide the MIV by the total of all qualifying Members' Improvement Values to determine their percentage of the pool (b) Multiply this result by the total pool size (c) The result, (capped at \$12,500 per Member) is the Member's earn-out

Notes

- a) Maximum strike range within 65%-400% of the equivalent month's future, F_{mth} . The maximum range begins with 23 business days remaining until expiry and thereafter
- b) Range will linearly tighten as expiration approaches with a minimum range of 85%-150% on the expiries last business day before roll, or 3 business days
- c) Fixed strikes that are within the percentage band will be evaluated
- d) See the following "Range table" for reference

Range Table			
<u>Remaining</u> <u>Biz Days</u>	<u>Lower</u> <u>Strike</u>	<u>Higher</u> <u>Strike</u>	<u>Growth</u> <u>Increment</u>
1	N/A	N/A	0.01
2	N/A	N/A	0.125
3	85%	150%	
4	84%	163%	
5	83%	175%	
6	82%	188%	
7	81%	200%	
8	80%	213%	
9	79%	225%	
10	78%	238%	
11	77%	250%	
12	76%	263%	
13	75%	275%	
14	74%	288%	
15	73%	300%	
16	72%	313%	
17	71%	325%	
18	70%	338%	
19	69%	350%	
20	68%	363%	
21	67%	375%	
22	66%	388%	
23	65%	400%	
24	65%	400%	
25	65%	400%	
26	65%	400%	
27	65%	400%	
28	65%	400%	
29	65%	400%	
30	65%	400%	
31	65%	400%	
32	65%	400%	
33	65%	400%	
34	65%	400%	
35	65%	400%	
Etc.	65%	400%	

For additional details regarding Incentives 1 and 2, please review the October 1, 2024, MIA X Options Fee Schedule posted on the MIA X website at <https://www.miaxglobal.com/markets/us-options/miax-options/fees>.

Please contact MIA X Trading Operations at TradingOperations@miaxglobal.com or (609) 897-7302 with any questions.

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