

MIAX Sapphire Options Exchange Regulatory Circular 2024-17

DATE: August 5, 2024

TO: MIAX Exchange Members

FROM: MIAX Regulatory Department

RE: Market Maker Aggregate Risk Manager Settings and Notification Instruction

The MIAX Sapphire Options system will maintain a counting program ("MM Counting Program") for each Market Maker who has submitted an order in an option class ("MM Option Class") delivered via the MEO Interface. The MM Counting Program will count the number of contracts executed by a Market Maker from an MM ARM Eligible Order ("MM ARM Contracts") within a specified time-period that has been established by the Market Maker or as a default setting. The MM Specified Time Period cannot exceed 15 seconds whether established by the Market Maker or as a default setting. The Market Maker may also establish for each MM Option Class an MM Allowable Engagement Percentage. The Exchange will establish a default MM Specified Time Period and a default Allowable Engagement Percentage on behalf of a Market Maker that has not established an MM Specified Time Period or an MM Allowable Engagement Percentage. The default MM Allowable Engagement Percentage shall not be less than 100%.

In accordance with MIAX Sapphire Options Rule 517(a), Market Maker Counting Program, the default Market Maker Specified Time Period will be one (1) second and the default Allowable Engagement Percentage will be 105%.

As described in MIAX Sapphire Options Rule 517 Interpretations and Policies .01, Enhanced Aggregate Risk Manager Protections, Market Makers may determine to engage any of the following Enhanced Aggregate Risk Manager Protections in the System by notifying the Exchange in the manner required below:

- A Market Maker may determine to engage the ARM Class Protection feature for a particular MM Option Class which has MM ARM Eligible Orders in a protected MPID ("ARM Option Class"). When an ARM Option Class in a protected MPID has been equaled or exceeded a specified number of times (not less than three times and not more than 99 times) within a specified time period (for purposes of the ARM Class Protection, the "ARM Trigger Counting Period") (each as determined by the Market Maker), the ARM Class Protection feature will cancel and reject the MM ARM Eligible Orders in such ARM Option Class from the protected MPID as described above until the Market Maker instructs the MIAX Help Desk to reset the ARM Class Protection feature. The ARM Trigger Counting Period may not be less than one second and may not exceed 24,300 seconds.
- A Market Maker may determine to engage the ARM Firm Protection feature for more than one class of options which has MM Eligible ARM Orders and are traded via the MEO Interface under all of the MPIDs of such Market Maker's firm ("Firm Protected ARM Option Classes"). The System will aggregate the specified

number of times that the MM Allowable Engagement Percentage has been equaled or exceeded in a specified number of such Firm Protected ARM Option Classes within the ARM Trigger Counting Period. When the MM Allowable Engagement Percentage has been equaled or exceeded within the ARM Trigger Counting Period (each as determined by the Market Maker) in the defined number of Firm Protected ARM Option Classes, the ARM Firm Protection feature will cancel and reject all of the Firm Protected ARM Option Classes until the Market Maker instructs the MIAX Help Desk to reset the ARM Firm Protection feature. In the event that the MM Allowable Engagement Percentage in one option class is equaled or exceeded multiple times during the applicable ARM Trigger Counting Period, the System will consider such multiple events to be one single trigger for purposes of engagement of the ARM Firm Protection feature.

- A Market Maker may determine to engage the Market Maker Single Side Protection (“SSP”) feature for orders delivered via the MEO Interface by MPID. If the full remaining size of a Market Maker’s order in an individual option, is exhausted by a trade, the System will trigger the SSP. When triggered, the System will cancel all open orders and block all new inbound orders delivered via the MEO Interface, for that particular side of that individual option for that MPID. The System will provide a notification message to the Market Maker. The block will remain in effect until the Market Maker notifies the MIAX Help Desk to reset the SSP (“SSP Reset”). Intermarket Sweep Orders are not eligible for Market Maker Single Side Protection and are not canceled or blocked when the SSP is triggered.

To reset single or aggregate class protections or for questions regarding risk protection features contact Trading Operations Help Desk at TradingOperations@MIAXOptions.com or (609) 897-7302.

Please direct questions to the Regulatory Department at Regulatory@miaxglobal.com or (609) 897-7309.