Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2019 - * 14

Amendment No. (req. for Amendments *)

Filing by   MIAX Emerald, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Rule

Pilot	Extension of Time Period for Commission Action *	Date Expires *	
☐	☐		

☐ 19b-4(f)(1)   ☐ 19b-4(f)(4)
☐ 19b-4(f)(2)   ☐ 19b-4(f)(5)
☐ 19b-4(f)(3)   ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *   Section 806(e)(2) *
☐   ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *
☐

Exhibit 2 Sent As Paper Document   Exhibit 3 Sent As Paper Document
▣   ▣

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Amend Exchange Rule 518 to adopt a Complex Liquidity Exposure Process

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Gregory   Last Name * Ziegler

Title * Senior Associate Counsel

E-mail * gziegler@miaxoptions.com

Telephone * (609) 897-1483   Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 03/06/2019

By Gregory P. Ziegler

(Name *)

Senior Associate Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

gziegler@miaxoptions.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document
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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. **Text of the Proposed Rule Change**

(a) MIAX Emerald, LLC ("MIAX EMERALD" or the "Exchange"), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act" or the "Exchange Act"),[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission (the "Commission") a proposal to amend Exchange Rule 518, Complex Orders, in order to implement identical functionality currently operative on one of the Exchange's affiliates, Miami International Securities Exchange, LLC ("MIAX Options").

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. **Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Emerald Board of Directors on January 31, 2019. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority.

Questions and comments on the proposed rule change may be directed to Gregory P. Ziegler, Senior Associate Counsel, at (609) 897-1483.

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

3. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

a. Purpose

The Exchange proposes to amend Exchange Rule 518, Complex Orders, to implement functionality, as described below, that is identical to functionality currently operative on MIAX Options.[3] MIAX Emerald commenced operations as a national securities exchange registered under Section 6 of the Act[4] on March 1, 2019. As described more fully in MIAX Emerald's Form 1 application,[5] the Exchange is an affiliate of Miami International Securities Exchange, LLC ("MIAX Options") and MIAX PEARL, LLC ("MIAX PEARL"). MIAX Emerald Rules, in their current form, were filed as Exhibit B to its Form 1 on August 16, 2018. At that time MIAX Emerald Rule 518 and MIAX Options Rule 518 were substantially similar. MIAX Options recently amended its Rule 518[6] and in order to ensure consistent operation of both MIAX Emerald and MIAX Options through having consistent rules, the Exchange now proposes to amend MIAX Emerald Exchange Rule 518 as described below.

Specifically, the Exchange proposes to amend Exchange Rule 518, Complex Orders, to (i) amend the Response Time Interval and Defined Time Period for Complex Auctions (each defined below); (ii) amend Interpretation and Policy .05(f), to add additional detail pertaining to the operation of the Complex MIAX Price Collar ("MPC"), specifically to adopt new rule text for the use of a Temporary MIAX Price Collar ("TMPC") during a cPRIME Auction or Complex

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3   See MIAX Options Exchange Rule 518.

4   15 U.S.C. 78f.

5   See Securities Exchange Act Release No. 84891 (December 20, 2018), 83 FR 67421 (December 28, 2018) (File No. 10-233) (order approving application of MIAX Emerald, LLC for registration as a national securities exchange.)

6   See Securities Exchange Act Release No. 85155 (February 15, 2019), 84 FR 5739 (February 22, 2019) (SR-MIAX-2018-36).

Auction[7] in the limited instance when an MPC has not been assigned; (iii) adopt a new Complex

Liquidity Exposure Process ("cLEP"); (iv) make minor changes to the Complex MIAX Options

Price Collar Protection; and (v) clarify that the Calendar Spread Variance ("CSV") price

protection applies only to strategies in American-style option[8] classes.

The Exchange proposes to amend subsection (d)(3) which describes the Response Time

Interval of a Complex Auction, which is a single-sided auction. The Exchange offers Complex

Auction functionality as described in Exchange Rule 518[9] and also a cPRIME process for paired

orders, which is unaffected by this proposal, as described in Exchange Rule 515A.12. The

Exchange is not proposing to change the cPRIME process, and thus the cPRIME Timer will

remain at 100 milliseconds.

Currently, Rule 518(d)(3) provides that the Response Time Interval means the period of

time during which responses to the Request for Responses ("RFR") message may be entered.

The Rule further provides that the Exchange determines the duration of the Response Time

Interval, which shall not exceed 500 milliseconds, and communicates it to Members via

Regulatory Circular.[10] The Exchange now proposes to adopt new rule text to state that, "the end

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[7]   See Exchange Rule 518(d).

[8]   The term "American-style option" means an option contract that, subject to the
        provisions of Rule 700 (relating to the cutoff time for exercise instructions) and to the
        Rules of the Clearing Corporation, can be exercised on any business day prior to its
        expiration date and on its expiration date. See Exchange Rule 100.

[9]   Certain option classes, as determined by the Exchange and communicated to Members
        via Regulatory Circular, will be eligible to participate in a Complex Auction (an "eligible
        class"). Upon evaluation as set forth in subparagraph (c)(5) of Rule 518, the Exchange
        may determine to automatically submit a Complex Auction-eligible order into a Complex
        Auction. Upon entry into the System or upon evaluation of a complex order resting at the
        top of the Strategy Book, Complex Auction-eligible orders may be subject to an
        automated request for responses ("RFR"). See Exchange Rule 518(d).

[10]   The Exchange notes that the Response Time Interval is currently set to 200 milliseconds.

of the trading session will also serve as the end of the Response Time Interval for a Complex

Auction still in progress." In connection with this proposed change, the Exchange proposes to

amend subsection (d)(2) to remove the reference to the Defined Time Period for a Complex

Auction. The Defined Time Period represents the period of time preceding the end of a trading

session during which a Complex Auction will not be initiated. Currently, by Exchange rule the

Defined Time Period shall be at least 100 milliseconds and may not exceed 10 seconds.[11] The

Exchange anticipates it will launch operations with the duration of a Complex Auction set to 200

milliseconds.[12]

The Exchange also proposes to amend subsection (c)(2)(i) to remove the restriction that a

cAOA Order[13] received during the Defined Time Period will not initiate a new Complex

Auction. Under the current rules there is no opportunity at all for price improvement via a

Complex Auction when there is less than two seconds left in the trading session. The Exchange

believes that removing the Defined Time Period and allowing the end of the trading session to

serve as the end of the Response Time Interval in the limited instance that a Complex Auction is

initiated with less than 200 milliseconds left in the trading session will allow for more

opportunities for price improvement via the auction process. In the event that a Member initiates

a Complex Auction and no Members respond, the initiating Member is no worse off under the

proposed rule than the Member would have been under the current rule which prevents the

Member from even attempting to initiate a Complex Auction with less than two seconds left in

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[11]   See Exchange Rule 518(d)(2).

[12]   The MIAX Options Complex Auction duration is currently set to 200 milliseconds. See
         MIAX Options Regulatory Circular 2016-46.

[13]   A "Complex Auction-on-Arrival" or "cAOA" Order is a complex order designated to be
         placed into a Complex Auction upon receipt or upon evaluation. See Exchange Rule
         518(b)(2).

the trading session. Additionally, a Member who initiates a Complex Auction will not forego the opportunity to trade with unrelated interest received during the Auction period, as this interest is included in the Complex Auction.[14]

The Exchange represents that it has the System[15] capacity and capability to conduct auctions and execute transactions in a timely fashion at any time during the trading session including the last two seconds. Further, the Exchange represents that it has surveillances in place to surveil for conduct that violates the Exchange's rules, specifically as they pertain to Complex Auctions as described herein.[16]

The Exchange also proposes to amend Rule 518, Interpretation and Policy .05, to add additional detail to the rule regarding the establishment of the MIAX Price Collar ("MPC") under various circumstances to align MIAX Emerald rule text to that of MIAX Options.[17] The MPC is a price protection feature designed to help maintain a fair and orderly market by helping to mitigate the potential risk of executions at prices that are extreme and potentially erroneous. The MPC prevents complex orders from automatically executing at potentially erroneous prices by establishing a price range outside of which a complex order will not be executed.

The Exchange now proposes to amend Rule 518, Interpretation and Policy .05, by removing current subsection (f)(3) and replacing it with new proposed subsections (f)(3) and (f)(4) as described below. New subsection (f)(3) will provide that, "[t]he MPC Price is

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[14]   See Exchange Rule 518(d)(8).

[15]   The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

[16]   The Exchange notes that Rule 518.04, Dissemination of Information, remains in effect for any Complex Auction-eligible order submitted to the Exchange at any time.

[17]   See Securities Exchange Act Release No. 84519 (November 1, 2018), 83 FR 55776 (November 7, 2018) (SR-MIAX-2018-27).

established: (i) upon receipt of the complex order or eQuote during free trading, or (ii) if the

complex order or eQuote is not received during free trading, at the opening (or reopening

following a halt) of trading in the complex strategy; or (iii) upon evaluation of the Strategy Book

by the System when a wide market condition, as described in Interpretation and Policy .05(e)(1)

of this Rule, no longer exists."[18]

New subsection (f)(4) will provide that, "[a] Temporary MPC Price ('TMPC Price') is

established solely for use during a Complex Auction (as defined in Rule 518(d)) or a cPRIME

Auction (as defined in Rule 515A, Interpretation and Policy .12) for (i) any complex order

resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in

a Complex Auction or a cPRIME Auction in that strategy; or (ii) any complex order or eQuote

received during a cPRIME Auction[19] if a wide market condition existed in a component of the

strategy at the start of the cPRIME Auction. The TMPC Price shall be the auction start price[20]

(the auction start price of a cPRIME Agency Order for a cPRIME Auction is defined in Rule

515A.12(a)(i) and the auction start price for a Complex Auction is defined in Rule 518(d)(1))

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[18]   The Exchange notes that if wide market conditions exist (any individual option component of a complex strategy has a displayed EBBO quote width that is wider than the permissible simple market quote width) when an order is received, an MPC will not be calculated until the wide market conditions are resolved. See Exchange Rule 518.05(e)(1).

[19]   The Exchange notes that if a wide market condition exists for a component of a complex strategy, trading in the strategy will be suspended, except as otherwise set forth in Exchange Rule 518.05(e)(1)(iii), which states that a wide market condition shall have no impact on the trading of cPRIME Orders and processing of cPRIME Auctions (including the processing of cPRIME Auction responses) pursuant to Rule 515A, Interpretation and Policy .12. See Exchange Rule 518.05(e)(1)(i).

[20]   The auction start price for a cPRIME Auction is the initiating price of a cPRIME Agency Order as described in Exchange Rule 515A.12(a)(i). The auction start price for a Complex Auction is the initiating order's limit price as described in Exchange Rule 518(d)(1).

plus (minus) the MPC Setting[21] if the order is a buy (sell). If the complex order or eQuote eligible to participate in the Complex Auction or cPRIME Auction is priced more aggressively than the TMPC Price (i.e., the complex order or eQuote price is greater than the TMPC Price for a buy order, or the complex order or eQuote price is lower than the TMPC Price for a sell order) the complex order or eQuote may participate in the auction but will not trade through its TMPC Price." The minimum MPC Setting is $0.00 and the maximum MPC Setting is $1.00, as determined by the Exchange and communicated to Members via Regulatory Circular.[22] A TMPC Price will be calculated for use during the length of the auction for any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or cPRIME Auction in that strategy, or any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction.

An example of the TMPC Price being established and used is provided below.

Example 3 – <u>A TMPC Price is established for an order or eQuote received during a cPRIME Auction</u>

MIAX Emerald – LMM Mar 50 Call 1.00-6.50 (10x10) (Wide Market)
MIAX Emerald – LMM Mar 55 Call 2.90-3.30 (10x10)

ABBO – Mar 50 Call 6.00-6.30 (10x10)
ABBO – Mar 55 Call 3.00-3.30 (10x10)

NBBO – Mar 50 Call 6.00-6.30 (10x10)
NBBO – Mar 55 Call 3.00-3.30 (10x20)

Strategy: Buy 1 Mar 50 Call, Sell 1 Mar 55 Call

The cNBBO is 2.70 debit bid and 3.30 credit offer

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21   See Exchange Rule 518.05(f).

22   See Exchange Rule 518.05(f)(2). The Exchange anticipates that the setting for the launch of trading on MIAX Emerald will be $.25.

The MPC Setting is $.25.

The Exchange receives a cPRIME Order with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 3.00, 500 times. Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.

A TMPC Price will be calculated for use during the length of the auction for any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction. The TMPC Price will be the cPRIME auction start price +/- the MPC Setting. In this example the auction start price is $3.00. The TMPC Price is $2.75 ($3.00 - $.25) for sell orders, and $3.25 ($3.00 + $.25) for buy orders.

An RFR is broadcast to all subscribers and the RFR period is started.

The following responses are received:

- @ 20 milliseconds BD1 response, cAOC Order @ 2.95 credit sell of 200 arrives
- @ 30 milliseconds MM1 response, cAOC eQuote @ 2.90 credit sell of 200 arrives
- @ 50 milliseconds C1 response, cAOC Order @ 2.70 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends. When the 100 millisecond Response Time Interval ends, the cPRIME Auction process will trade the Agency Order with the best priced responses. The Agency Order will be filled as follows:

- The cPRIME Agency Order buys 100 from C1 @ 2.75
- The cPRIME Agency Order buys 200 from MM1 @ 2.90
- The cPRIME Agency Order buys 200 from BD1 @ 2.95

Note that C1 is prevented from selling at 2.70 by the cPRIME Auction TMPC Price limit of 2.75.

The Exchange believes that amending the rule to regarding the use of a TMPC Price, which is applicable only in the limited circumstance when an MPC has not been assigned, and exists only for the duration of a Complex Auction or cPRIME Auction, adds additional detail to the Exchange's rules and provides greater transparency of Exchange functionality. The use of a TMPC Price provides protection for orders that participate in either a Complex Auction or a cPRIME Auction when the order does not have an assigned MPC Price as described above. This

price protection ensures that orders are not executed at potentially erroneous prices during the auction. The Exchange believes that the proposed changes promote the protection of investors and the public interest by providing greater clarity and specificity of Exchange functionality, and it is in the public interest for the Exchange's rules to be accurate and concise so as to minimize the potential for confusion.

The Exchange also proposes to amend current subsection (f)(4) (proposed subsection (f)(5)) which states that, "Any unexecuted portion of such a complex order or eQuote: (A) will be cancelled if it would otherwise be displayed or executed at a price that is outside the MPC Price, and (B) may be subject to the managed interest process described in Rule 518(c)(4)." The Exchange proposes to amend this sentence to account for a proposed Complex Liquidity Exposure Process ("cLEP") as described below. The proposed amended sentence will provide, "Any unexecuted portion of such a complex order or eQuote: (A) will be subject to the cLEP as described in subsection (e) of this Rule, and (B) may be subject to the managed interest process described in Rule 518(c)(4)."

The Exchange also proposes to adopt new subsection (e) to Rule 518 to describe a Complex Liquidity Exposure Process ("cLEP") for complex orders and complex eQuotes that would violate their Complex MIAX Price Collar ("MPC") price. The MPC price protection feature is an Exchange-wide mechanism under which a complex order or complex eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO[23] bid at the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in $0.01 increments (the "MPC Setting"), and under which a

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[23]   The term cNBBO means the Complex National Best Bid or Offer and is calculated using
        the National Best Bid or Offer ("NBBO") for each component of a complex strategy to
        establish the best net bid and offer for a complex strategy. See Exchange Rule 518(a)(2).

complex order or eQuote to buy will not be displayed or executed at a price that is higher than

the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the

MPC Setting (each the "MPC Price").[24]

The Exchange now proposes to initiate a Complex Liquidity Exposure Auction ("cLEP

Auction") whenever a complex order or complex eQuote would execute or post at a price that

would violate its MPC Price. To begin the cLEP Auction, the System will first broadcast a

liquidity exposure message to all subscribers of the Exchange's data feeds. The liquidity

exposure message will include the symbol, side of the market, auction start price (MPC Price of

the complex order or eQuote), and the imbalance quantity. The purpose of including the

imbalance quantity in the RFR message is to inform such participants of the number of contracts

that are available for execution.

The System will initiate a Response Time Interval, as determined by the Exchange and

communicated via Regulatory Circular which shall be no less than 100 milliseconds and no more

than 5,000 milliseconds.[25] At the conclusion of the Complex Liquidity Exposure Auction the

resulting trade price will be determined by the Exchange's Complex Auction Pricing described

in subsection (d)(6) of this Rule and interest will be executed as provided in subsection (d)(6) of

this Rule. In no event will the resulting trade price of a cLEP Auction ever be more aggressive

than the MPC Price. Remaining liquidity with an original limit price that is (i) less aggressive

(lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC

Price will be handled in accordance with subsection (c)(2)(ii) – (v) of this Rule, or (ii) more

aggressive than the MPC Price will be subject to the Reevaluation process as described below.

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[24]   See Exchange Rule 518.05(f).

[25]   The Exchange notes that the current duration of a cPRIME Auction is 100 milliseconds
         and the current duration of a Complex Auction is 200 milliseconds.

Orders and quotes executed in a cLEP Auction will be allocated in accordance with the Complex Auction allocation procedures described in Exchange Rule 518(d)(7)(i) – (vi).

At the conclusion of a cLEP Auction the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

The current rule provides that if the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote's bid price for a buy, or the MPC Price is greater than the complex order or eQuote's offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price. Any unexecuted portion of such a complex order or eQuote: (A) will be cancelled if it would otherwise be displayed or executed at a price that is outside the MPC Price, and (B) may be subject to the managed interest process described in 518(c)(4).[26]

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[26]   See Exchange Rule 518.05(f)(6).

The Exchange now proposes to amend subsection(f)(6)(A) to provide that any unexecuted portion of such a complex order or eQuote will be subject to the cLEP as described in proposed subsection (e). The Exchange believes it to be in the best interest of the Member[27] to seek liquidity via the Complex Liquidity Exposure Process as described above, rather than cancel any unexecuted portion of the order. The Exchange represents that it has the System capability and capacity to handle the potential cLEP Auctions that may occur under the Exchange's proposal.

The examples below demonstrate an order subject to the Complex Liquidity Exposure Process.

Example 1

MPC: $0.25

The Exchange has one order resting on its Strategy Book:[28] +1 component A, -1 component B:

Order 1 is to sell 10 at $1.90

EBBO[29] component A: 4.00(10) x 5.00(10)

EBBO component B: 2.00(10) x 2.50(10)

NBBO[30] component A: 4.0510) x 4.15(10)

NBBO component B: 2.30(10) x 2.40(10)

icEBBO:[31] 1.50 (10) x 3.00 (10)

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[27]   The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

[28]   The term "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

[29]   The term "EBBO" means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(10).

[30]   The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

cNBBO:[32] 1.65 (10) x 1.85 (10)

The Exchange receives a new order (Order 2) to buy 20 at $2.25.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

During the cLEP Auction the Exchange receives a new order (Order 3) to sell 10 at $2.10. This order locks the current same side Book Price of $2.10. At the end of the auction, Order 3 sells 10 to Order 2 at $2.10, filling both Order 2 and Order 3.

Example 2

MPC: $0.25

The Exchange has one order resting on its book in Strategy +1 component A, -1 component B:

Order 1 is to sell 10 at $1.90

EBBO component A: 4.00(10) x 5.00(10)

EBBO component B: 2.00(10) x 2.50(10)

NBBO component A: 4.0510) x 4.15(10)

NBBO component B: 2.30(10) x 2.40(10)

icEBBO: 1.50 (10) x 3.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

The Exchange receives a new order (Order 2) to buy 20 at $2.25.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

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[31]   The Implied Complex MIAX Emerald Best Bid or Offer ("icEBBO") is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. See Exchange Rule 518(a)(12).

[32]   The Complex National Best Bid or Offer ("cNBBO") is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offeror a complex strategy. See Exchange Rule 518(a)(2).

No new liquidity arrives during the Auction. At the end of the Auction, Order 2 reprices to its limit of $2.25 and is posted at that price on the Strategy Book, ending the Complex Liquidity Exposure Process.

Example 3

MPC: $0.25

The Exchange has one order resting on its book in Strategy +1 component A, -1 component B:

Order 1 is to sell 10 at $1.90

EBBO component A: 4.00(10) x 5.00(10)

EBBO component B: 2.00(10) x 2.50(10)

NBBO component A: 4.0510) x 4.15(10)

NBBO component B: 2.30(10) x 2.40(10)

icEBBO: 1.50 (10) x 3.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

The Exchange receives a new order (Order 2) to buy 20 at $2.45.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

No new liquidity arrives during the Auction. At the end of the Auction, Order 2 reprices to its next protected price of $2.35 (prior protected price of 2.10 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

No new liquidity arrives during the Auction. At the end of the Auction, Order 2 reprices to its limit of $2.45 and is posted at that price on the Strategy Book, ending the Complex Liquidity Exposure Process.

Finally, the Exchange proposes to amend subsection (b) of Interpretation and Policy .05 to adopt new rule text stating that the Calendar Spread Variance ("CSV") price protection applies only to strategies in American-style option classes. A Calendar Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. The CSV

establishes a minimum trading price limit for Calendar Spreads. The maximum possible value of a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus the pre-set value of $.10. This ensures that the Strategy doesn't trade more than $.10 away from its intrinsic value. (On a basic level the price of an American-style option is comprised of two components; intrinsic value and time value. If the strike price of a call option is $5.00 and the stock is priced at $6.00, there is $1.00 of intrinsic value in the price of the call option, anything above $1.00 represents the time value component.) An American-style option must be worth at least as much as its intrinsic value because the holder of the option can realize the intrinsic value by immediately exercising the option. In a Calendar Spread strategy comprised of American-style options, ceteris paribus, the far month should be worth more than the near month due to its having a longer time to expiration and therefore a greater time value. As European-style options[33] may only be exercised on their expiration date, the relationship between the stock price, option price, and option strike price that exists for American-style options does not exist for European-style options. Therefore the CSV price protection would be ineffective and will not be available for strategies comprised of European-style options.

Additionally, the Exchange believes that although MIAX Emerald rules may, in certain instances, intentionally differ from MIAX Options rules, the proposed changes will promote uniformity with MIAX Options with respect to rules that are intended to be identical. MIAX Emerald and MIAX Options may have a number of Members in common, and where feasible the

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[33]   The term "European-style option" means an option contract that, subject to the provisions of Rule 700 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date. See Exchange Rule 100.

Exchange intends to implement similar behavior to provide consistency between MIAX Options and MIAX Emerald so as to avoid confusion among Members.

b.   Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act[34] in general, and furthers the objectives of Section 6(b)(5) of the Act[35] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposal to eliminate the Defined Time Period to allow Complex Auctions[36] to occur throughout the trading session removes impediments to and perfects the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest by removing an unnecessary barrier which prevented Complex Auctions from occurring with less than two seconds left in the trading session. The current anticipated duration of a Complex Auction is just 200 milliseconds. The Exchange believes it is in the best interest of the investor to allow for opportunities for price improvement throughout the entire trading session. In the event that a Member initiates a Complex Auction and no Members respond, the initiating Member is no worse off under the proposed rule than the

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[34]   15 U.S.C. 78f(b).

[35]   15 U.S.C. 78f(b)(5).

[36]   Complex Auctions are described in Exchange Rule 518(d) and are separate and distinct from cPRIME Auctions which are described in Interpretation and Policy .12 of Exchange Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism.

Member would have been under the current rule which prevents the Member from even attempting to initiate a Complex Auction with less than two seconds left in the trading session. Additionally, a Member who initiates a Complex Auction will not forego the opportunity to trade with unrelated interest received during the Auction period, as this interest is included in the Complex Auction.[37]

The Exchange believes the proposed changes promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because they seek to add additional detail to, and improve the accuracy of, the Exchange's rules. In particular, the Exchange believes that the proposed rule changes will provide clarity and transparency of the Exchange's rules to Members and the public, and it is in the public interest for rules to be accurate and concise so as to minimize the potential for confusion.

Further, the Exchange believes that providing a TMPC Price during a Complex Auction or a cPRIME Auction protects investors against executions at potentially erroneous prices. Additionally, the Exchange believes that adding additional detail to the Exchange's rules regarding the operation of MIAX Options Price Collar, and including the method of calculating a TMPC Price for the limited circumstances when one is used, promotes just and equitable principles of trade and removes impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality.

The Exchange also believes its proposal to adopt a Complex Liquidity Exposure Process promotes just and equitable principles of trade and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects

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[37]   See supra note 14.

investors and the public interest. The Complex Liquidity Exposure Process provides an

additional opportunity for price discovery for those orders that would trade through their MPC

Price. The Exchange believes its proposal promotes just and equitable principles of trade as it is

in the best interest of the Member to seek liquidity for the unexecuted portion of the order which

exceeds the order's MPC Price rather than to simply cancel the unexecuted portion back to the

Member.[38]

The Exchange also believes that its proposal to amend Interpretation and Policy .05(f) to

reflect the changes resulting from the introduction of the Complex Liquidity Exposure Process

promotes just and equitable principles of trade, and removes impediments to and perfects the

mechanisms of a free and open market and a national market system and, in general, protects

investors and the public interest by clearly describing the operation of the Exchange's

functionality in the Exchange's rules. The Exchange believes it is in the interest of investors and

the public to accurately describe the behavior of the Exchange's System in its rules as this

information may be used by investors to make decisions concerning the submission of their

orders. Further, the Exchange's proposal to make non-substantive changes to re-number certain

paragraphs for internal consistency within the rule benefits investors and the public interest by

providing clarity and accuracy in the Exchange's rules.

Finally, the Exchange believes its proposal to clarify that the Calendar Spread Variance

(CSV) price protection is available only for American-style options promotes just and equitable

principles of trade, and removes impediments to and perfects the mechanisms of a free and open

market and a national market system and, in general, and protects investors and the public

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[38]   The Exchange notes that Members who believe that an execution has occurred at an
        erroneous price may avail themselves of the protections provided in Exchange Rule 521,
        Nullification and Adjustment of Options Transactions Including Obvious Errors.

interest by providing clarity and precision in the Exchange's rules. Given that European-style options may only be exercised on their expiration date, the CSV price protection would be ineffective for strategies comprised of European-style options. Therefore, under the Exchange's proposal, the CSV price protection will not be available for strategies comprised of European-style options. The Exchange believes it is in the interest of investors and the public to accurately describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Transparency and clarity are consistent with the Act because it removes impediments to and helps perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System. In particular, the Exchange believes that the proposed rule change will provide greater clarity to Members and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

4.   Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition. The Exchange's proposal seeks to enhance complex order trading on the Exchange, and may potentially enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. The changes to the Exchange rules concerning the use of a TMPC Price is designed to add additional detail to the rules to further clarify the operation of Exchange functionality and to minimize the potential for confusion.

Additionally, the Exchange does not believe the proposed rule change will impose any

burden on intra-market competition as the Rules apply equally to all Members of the Exchange.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

The Exchange has neither solicited nor received comments on the proposed rule change.

6. **Extension of Time Period for Commission Action**

Not applicable.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Pursuant to Section 19(b)(3)(A) of the Act[39] and Rule 19b-4(f)(6)[40] thereunder, the

Exchange has designated this proposal as one that effects a change that: (i) does not significantly

affect the protection of investors or the public interest; (ii) does not impose any significant

burden on competition; and (iii) by its terms, does not become operative for 30 days after the

date of the filing, or such shorter time as the Commission may designate if consistent with the

protection of investors and the public interest.

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written

notice of its intent to file the proposed rule change at least five business days prior to the date of

filing of the proposed rule change, or such shorter time as designated by the Commission. The

Exchange has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to

Rule 19b-4(f)(6) under the Act[41] normally does not become operative for 30 days after the date

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[39]   15 U.S.C. 78s(b)(3)(A).

[40]   17 CFR 240.19b-4(f)(6).

[41]   Id.

of its filing. However, Rule 19b-4(f)(6)[42] permits the Commission to designate a shorter time if

such action is consistent with the protection of investors and the public interest. As described

above, the Exchange's proposed rule changes are identical to those currently in place on MIAX

Options.[43] Accordingly, because the proposed rule changes are based on the rules of another

Self-Regulatory Organization and thus do not introduce any new regulatory issues, the Exchange

has filed this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[44] and

paragraph (f)(6) of Rule 19b-4 thereunder.[45]

The Exchange respectfully requests that the Commission waive the 30-day pre-operative

delay pursuant to Section 19(b)(3)(A) of the Act[46] and paragraph (f)(6) of Rule 19b-4

thereunder.[47] Waiver of this requirement, specified in Rule 19b-4(f)(6),[48] will allow the

Exchange to harmonize its rules to those of MIAX Options.[49] Based on the foregoing, the

Exchange believes that its proposal should become immediately effective and requests that the

Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii)

under the Act.[50] Waiver of this requirement is consistent with the protection of investors and the

public interest for the reasons described above.

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[42]   17 CFR 240.19b-4(f)(6).

[43]   See supra note 3.

[44]   17 CFR 240.19b-4.

[45]   17 CFR 240.19b-4(f)(6).

[46]   15 U.S.C. 78s(b)(3)(A).

[47]   17 CFR 240.19b-4(f)(6).

[48]   Id.

[49]   See MIAX Options Exchange Rule 518(b)(2)(i), 518(d)(2), 518(e), 518.05(b), and
         518.05(f).

[50]   17 CFR 240.19b-4(f)(6)(iii).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

8.   Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule changes are based on MIAX Options Rule 518, which was recently amended by MIAX Options in a manner consistent with the changes proposed in this proposal.[51]

9.   Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10.   Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11.   Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

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[51]   See supra note 6 and 17.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-EMERALD-2019-14)

March__, 2019

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX Emerald, LLC to Amend Exchange Rule 518, Complex Orders

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934

("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 6, 2019, MIAX

Emerald, LLC ("MIAX Emerald" or "Exchange") filed with the Securities and Exchange

Commission ("Commission") a proposed rule change as described in Items I, II, and III below,

which Items have been prepared by the Exchange. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

I.   Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed
        Rule Change

The Exchange is filing a proposal to amend Exchange Rule 518, Complex Orders, in

order to implement identical functionality currently operative on one of the Exchange's affiliates,

Miami International Securities Exchange, LLC ("MIAX Options").

The text of the proposed rule change is available on the Exchange's website at

http://www.miaxoptions.com/rule-filings/emerald at MIAX Emerald's principal office, and at

the Commission's Public Reference Room.

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

 A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

  1. Purpose

The Exchange proposes to amend Exchange Rule 518, Complex Orders, to implement functionality, as described below, that is identical to functionality currently operative on MIAX Options.[3] MIAX Emerald commenced operations as a national securities exchange registered under Section 6 of the Act[4] on March 1, 2019. As described more fully in MIAX Emerald's Form 1 application,[5] the Exchange is an affiliate of Miami International Securities Exchange, LLC ("MIAX Options") and MIAX PEARL, LLC ("MIAX PEARL"). MIAX Emerald Rules, in their current form, were filed as Exhibit B to its Form 1 on August 16, 2018. At that time MIAX Emerald Rule 518 and MIAX Options Rule 518 were substantially similar. MIAX Options recently amended its Rule 518[6] and in order to ensure consistent operation of both MIAX

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[3] See MIAX Options Exchange Rule 518.

[4] 15 U.S.C. 78f.

[5] See Securities Exchange Act Release No. 84891 (December 20, 2018), 83 FR 67421 (December 28, 2018) (File No. 10-233) (order approving application of MIAX Emerald, LLC for registration as a national securities exchange.)

[6] See Securities Exchange Act Release No. 85155 (February 15, 2019), 84 FR 5739 (February 22, 2019) (SR-MIAX-2018-36).

Emerald and MIAX Options through having consistent rules, the Exchange now proposes to

amend MIAX Emerald Exchange Rule 518 as described below.

Specifically, the Exchange proposes to amend Exchange Rule 518, Complex Orders, to

(i) amend the Response Time Interval and Defined Time Period for Complex Auctions (each

defined below); (ii) amend Interpretation and Policy .05(f), to add additional detail pertaining to

the operation of the Complex MIAX Price Collar ("MPC"), specifically to adopt new rule text

for the use of a Temporary MIAX Price Collar ("TMPC") during a cPRIME Auction or Complex

Auction[7] in the limited instance when an MPC has not been assigned; (iii) adopt a new Complex

Liquidity Exposure Process ("cLEP"); (iv) make minor changes to the Complex MIAX Options

Price Collar Protection; and (v) clarify that the Calendar Spread Variance ("CSV") price

protection applies only to strategies in American-style option[8] classes.

The Exchange proposes to amend subsection (d)(3) which describes the Response Time

Interval of a Complex Auction, which is a single-sided auction. The Exchange offers Complex

Auction functionality as described in Exchange Rule 518[9] and also a cPRIME process for paired

orders, which is unaffected by this proposal, as described in Exchange Rule 515A.12. The

Exchange is not proposing to change the cPRIME process, and thus the cPRIME Timer will

remain at 100 milliseconds.

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[7]   See Exchange Rule 518(d).

[8]   The term "American-style option" means an option contract that, subject to the
        provisions of Rule 700 (relating to the cutoff time for exercise instructions) and to the
        Rules of the Clearing Corporation, can be exercised on any business day prior to its
        expiration date and on its expiration date. See Exchange Rule 100.

[9]   Certain option classes, as determined by the Exchange and communicated to Members
        via Regulatory Circular, will be eligible to participate in a Complex Auction (an "eligible
        class"). Upon evaluation as set forth in subparagraph (c)(5) of Rule 518, the Exchange
        may determine to automatically submit a Complex Auction-eligible order into a Complex
        Auction. Upon entry into the System or upon evaluation of a complex order resting at the
        top of the Strategy Book, Complex Auction-eligible orders may be subject to an
        automated request for responses ("RFR"). See Exchange Rule 518(d).

Currently, Rule 518(d)(3) provides that the Response Time Interval means the period of time during which responses to the Request for Responses ("RFR") message may be entered. The Rule further provides that the Exchange determines the duration of the Response Time Interval, which shall not exceed 500 milliseconds, and communicates it to Members via Regulatory Circular.[10] The Exchange now proposes to adopt new rule text to state that, "the end of the trading session will also serve as the end of the Response Time Interval for a Complex Auction still in progress." In connection with this proposed change, the Exchange proposes to amend subsection (d)(2) to remove the reference to the Defined Time Period for a Complex Auction. The Defined Time Period represents the period of time preceding the end of a trading session during which a Complex Auction will not be initiated. Currently, by Exchange rule the Defined Time Period shall be at least 100 milliseconds and may not exceed 10 seconds.[11] The Exchange anticipates it will launch operations with the duration of a Complex Auction set to 200 milliseconds.[12]

The Exchange also proposes to amend subsection (c)(2)(i) to remove the restriction that a cAOA Order[13] received during the Defined Time Period will not initiate a new Complex Auction. Under the current rules there is no opportunity at all for price improvement via a Complex Auction when there is less than two seconds left in the trading session. The Exchange believes that removing the Defined Time Period and allowing the end of the trading session to serve as the end of the Response Time Interval in the limited instance that a Complex Auction is

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[10]   The Exchange notes that the Response Time Interval is currently set to 200 milliseconds.

[11]   See Exchange Rule 518(d)(2).

[12]   The MIAX Options Complex Auction duration is currently set to 200 milliseconds. See MIAX Options Regulatory Circular 2016-46.

[13]   A "Complex Auction-on-Arrival" or "cAOA" Order is a complex order designated to be placed into a Complex Auction upon receipt or upon evaluation. See Exchange Rule 518(b)(2).

initiated with less than 200 milliseconds left in the trading session will allow for more

opportunities for price improvement via the auction process. In the event that a Member initiates

a Complex Auction and no Members respond, the initiating Member is no worse off under the

proposed rule than the Member would have been under the current rule which prevents the

Member from even attempting to initiate a Complex Auction with less than two seconds left in

the trading session. Additionally, a Member who initiates a Complex Auction will not forego the

opportunity to trade with unrelated interest received during the Auction period, as this interest is

included in the Complex Auction.[14]

The Exchange represents that it has the System[15] capacity and capability to conduct

auctions and execute transactions in a timely fashion at any time during the trading session

including the last two seconds. Further, the Exchange represents that it has surveillances in place

to surveil for conduct that violates the Exchange's rules, specifically as they pertain to Complex

Auctions as described herein.[16]

The Exchange also proposes to amend Rule 518, Interpretation and Policy .05, to add

additional detail to the rule regarding the establishment of the MIAX Price Collar ("MPC")

under various circumstances to align MIAX Emerald rule text to that of MIAX Options.[17] The

MPC is a price protection feature designed to help maintain a fair and orderly market by helping

to mitigate the potential risk of executions at prices that are extreme and potentially erroneous.

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[14]   See Exchange Rule 518(d)(8).

[15]   The term "System" means the automated trading system used by the Exchange for the
        trading of securities. See Exchange Rule 100.

[16]   The Exchange notes that Rule 518.04, Dissemination of Information, remains in effect
        for any Complex Auction-eligible order submitted to the Exchange at any time.

[17]   See Securities Exchange Act Release No. 84519 (November 1, 2018), 83 FR 55776
        (November 7, 2018) (SR-MIAX-2018-27).

The MPC prevents complex orders from automatically executing at potentially erroneous prices by establishing a price range outside of which a complex order will not be executed.

The Exchange now proposes to amend Rule 518, Interpretation and Policy .05, by removing current subsection (f)(3) and replacing it with new proposed subsections (f)(3) and (f)(4) as described below. New subsection (f)(3) will provide that, "[t]he MPC Price is established: (i) upon receipt of the complex order or eQuote during free trading, or (ii) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or (iii) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretation and Policy .05(e)(1) of this Rule, no longer exists."[18]

New subsection (f)(4) will provide that, "[a] Temporary MPC Price ('TMPC Price') is established solely for use during a Complex Auction (as defined in Rule 518(d)) or a cPRIME Auction (as defined in Rule 515A, Interpretation and Policy .12) for (i) any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or a cPRIME Auction in that strategy; or (ii) any complex order or eQuote received during a cPRIME Auction[19] if a wide market condition existed in a component of the

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[18]   The Exchange notes that if wide market conditions exist (any individual option component of a complex strategy has a displayed EBBO quote width that is wider than the permissible simple market quote width) when an order is received, an MPC will not be calculated until the wide market conditions are resolved. See Exchange Rule 518.05(e)(1).

[19]   The Exchange notes that if a wide market condition exists for a component of a complex strategy, trading in the strategy will be suspended, except as otherwise set forth in Exchange Rule 518.05(e)(1)(iii), which states that a wide market condition shall have no impact on the trading of cPRIME Orders and processing of cPRIME Auctions (including the processing of cPRIME Auction responses) pursuant to Rule 515A, Interpretation and Policy .12. See Exchange Rule 518.05(e)(1)(i).

strategy at the start of the cPRIME Auction. The TMPC Price shall be the auction start price[20]

(the auction start price of a cPRIME Agency Order for a cPRIME Auction is defined in Rule

515A.12(a)(i) and the auction start price for a Complex Auction is defined in Rule 518(d)(1))

plus (minus) the MPC Setting[21] if the order is a buy (sell). If the complex order or eQuote

eligible to participate in the Complex Auction or cPRIME Auction is priced more aggressively

than the TMPC Price (i.e., the complex order or eQuote price is greater than the TMPC Price for

a buy order, or the complex order or eQuote price is lower than the TMPC Price for a sell order)

the complex order or eQuote may participate in the auction but will not trade through its TMPC

Price." The minimum MPC Setting is $0.00 and the maximum MPC Setting is $1.00, as

determined by the Exchange and communicated to Members via Regulatory Circular.[22] A

TMPC Price will be calculated for use during the length of the auction for any complex order

resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in

a Complex Auction or cPRIME Auction in that strategy, or any complex order or eQuote

received during a cPRIME Auction if a wide market condition existed in a component of the

strategy at the start of the cPRIME Auction.

  An example of the TMPC Price being established and used is provided below.

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[20] The auction start price for a cPRIME Auction is the initiating price of a cPRIME Agency Order as described in Exchange Rule 515A.12(a)(i). The auction start price for a Complex Auction is the initiating order's limit price as described in Exchange Rule 518(d)(1).

[21] See Exchange Rule 518.05(f).

[22] See Exchange Rule 518.05(f)(2). The Exchange anticipates that the setting for the launch of trading on MIAX Emerald will be $.25.

Example 3 – <u>A TMPC Price is established for an order or eQuote received during a cPRIME Auction</u>

MIAX Emerald – LMM Mar 50 Call 1.00-6.50 (10x10) (Wide Market)
MIAX Emerald – LMM Mar 55 Call 2.90-3.30 (10x10)

ABBO – Mar 50 Call 6.00-6.30 (10x10)
ABBO – Mar 55 Call 3.00-3.30 (10x10)

NBBO – Mar 50 Call 6.00-6.30 (10x10)
NBBO – Mar 55 Call 3.00-3.30 (10x20)

Strategy: Buy 1 Mar 50 Call, Sell 1 Mar 55 Call

The cNBBO is 2.70 debit bid and 3.30 credit offer

The MPC Setting is $.25.

The Exchange receives a cPRIME Order with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 3.00, 500 times. Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.

A TMPC Price will be calculated for use during the length of the auction for any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction. The TMPC Price will be the cPRIME auction start price +/- the MPC Setting. In this example the auction start price is $3.00. The TMPC Price is $2.75 ($3.00 - $.25) for sell orders, and $3.25 ($3.00 + $.25) for buy orders.

An RFR is broadcast to all subscribers and the RFR period is started.

The following responses are received:

- @ 20 milliseconds BD1 response, cAOC Order @ 2.95 credit sell of 200 arrives
- @ 30 milliseconds MM1 response, cAOC eQuote @ 2.90 credit sell of 200 arrives
- @ 50 milliseconds C1 response, cAOC Order @ 2.70 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends. When the 100 millisecond Response Time Interval ends, the cPRIME Auction process will trade the Agency Order with the best priced responses. The Agency Order will be filled as follows:

- The cPRIME Agency Order buys 100 from C1 @ 2.75
- The cPRIME Agency Order buys 200 from MM1 @ 2.90
- The cPRIME Agency Order buys 200 from BD1 @ 2.95

Note that C1 is prevented from selling at 2.70 by the cPRIME Auction TMPC Price limit of 2.75.

The Exchange believes that amending the rule to regarding the use of a TMPC Price, which is applicable only in the limited circumstance when an MPC has not been assigned, and exists only for the duration of a Complex Auction or cPRIME Auction, adds additional detail to the Exchange's rules and provides greater transparency of Exchange functionality. The use of a TMPC Price provides protection for orders that participate in either a Complex Auction or a cPRIME Auction when the order does not have an assigned MPC Price as described above. This price protection ensures that orders are not executed at potentially erroneous prices during the auction. The Exchange believes that the proposed changes promote the protection of investors and the public interest by providing greater clarity and specificity of Exchange functionality, and it is in the public interest for the Exchange's rules to be accurate and concise so as to minimize the potential for confusion.

The Exchange also proposes to amend current subsection (f)(4) (proposed subsection (f)(5)) which states that, "Any unexecuted portion of such a complex order or eQuote: (A) will be cancelled if it would otherwise be displayed or executed at a price that is outside the MPC Price, and (B) may be subject to the managed interest process described in Rule 518(c)(4)." The Exchange proposes to amend this sentence to account for a proposed Complex Liquidity Exposure Process ("cLEP") as described below. The proposed amended sentence will provide, "Any unexecuted portion of such a complex order or eQuote: (A) will be subject to the cLEP as described in subsection (e) of this Rule, and (B) may be subject to the managed interest process described in Rule 518(c)(4)."

The Exchange also proposes to adopt new subsection (e) to Rule 518 to describe a Complex Liquidity Exposure Process ("cLEP") for complex orders and complex eQuotes that would violate their Complex MIAX Price Collar ("MPC") price. The MPC price protection

feature is an Exchange-wide mechanism under which a complex order or complex eQuote to sell

will not be displayed or executed at a price that is lower than the opposite side cNBBO[23] bid at

the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a

specific dollar amount expressed in $0.01 increments (the "MPC Setting"), and under which a

complex order or eQuote to buy will not be displayed or executed at a price that is higher than

the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the

MPC Setting (each the "MPC Price").[24]

The Exchange now proposes to initiate a Complex Liquidity Exposure Auction ("cLEP

Auction") whenever a complex order or complex eQuote would execute or post at a price that

would violate its MPC Price. To begin the cLEP Auction, the System will first broadcast a

liquidity exposure message to all subscribers of the Exchange's data feeds. The liquidity

exposure message will include the symbol, side of the market, auction start price (MPC Price of

the complex order or eQuote), and the imbalance quantity. The purpose of including the

imbalance quantity in the RFR message is to inform such participants of the number of contracts

that are available for execution.

The System will initiate a Response Time Interval, as determined by the Exchange and

communicated via Regulatory Circular which shall be no less than 100 milliseconds and no more

than 5,000 milliseconds.[25] At the conclusion of the Complex Liquidity Exposure Auction the

resulting trade price will be determined by the Exchange's Complex Auction Pricing described

in subsection (d)(6) of this Rule and interest will be executed as provided in subsection (d)(6) of

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[23]   The term cNBBO means the Complex National Best Bid or Offer and is calculated using
        the National Best Bid or Offer ("NBBO") for each component of a complex strategy to
        establish the best net bid and offer for a complex strategy. See Exchange Rule 518(a)(2).

[24]   See Exchange Rule 518.05(f).

[25]   The Exchange notes that the current duration of a cPRIME Auction is 100 milliseconds
        and the current duration of a Complex Auction is 200 milliseconds.

this Rule. In no event will the resulting trade price of a cLEP Auction ever be more aggressive than the MPC Price. Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii) – (v) of this Rule, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation process as described below. Orders and quotes executed in a cLEP Auction will be allocated in accordance with the Complex Auction allocation procedures described in Exchange Rule 518(d)(7)(i) – (vi).

At the conclusion of a cLEP Auction the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

The current rule provides that if the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote's bid price for a buy, or the MPC Price is greater than the complex order or eQuote's offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price. Any unexecuted portion of such a complex order or eQuote: (A) will be cancelled if it would otherwise be displayed or executed at a price

that is outside the MPC Price, and (B) may be subject to the managed interest process described in 518(c)(4).[26]

The Exchange now proposes to amend subsection(f)(6)(A) to provide that any unexecuted portion of such a complex order or eQuote will be subject to the cLEP as described in proposed subsection (e). The Exchange believes it to be in the best interest of the Member[27] to seek liquidity via the Complex Liquidity Exposure Process as described above, rather than cancel any unexecuted portion of the order. The Exchange represents that it has the System capability and capacity to handle the potential cLEP Auctions that may occur under the Exchange's proposal.

The examples below demonstrate an order subject to the Complex Liquidity Exposure Process.

Example 1

MPC: $0.25

The Exchange has one order resting on its Strategy Book:[28] +1 component A, -1 component B:

Order 1 is to sell 10 at $1.90

EBBO[29] component A: 4.00(10) x 5.00(10)

EBBO component B: 2.00(10) x 2.50(10)

NBBO[30] component A: 4.0510) x 4.15(10)

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[26]   See Exchange Rule 518.05(f)(6).

[27]   The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

[28]   The term "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

[29]   The term "EBBO" means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(10).

[30]   The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

NBBO component B: 2.30(10) x 2.40(10)

icEBBO:[31] 1.50 (10) x 3.00 (10)

cNBBO:[32] 1.65 (10) x 1.85 (10)

The Exchange receives a new order (Order 2) to buy 20 at $2.25.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

During the cLEP Auction the Exchange receives a new order (Order 3) to sell 10 at $2.10. This order locks the current same side Book Price of $2.10. At the end of the auction, Order 3 sells 10 to Order 2 at $2.10, filling both Order 2 and Order 3.

Example 2

MPC: $0.25

The Exchange has one order resting on its book in Strategy +1 component A, -1 component B:

Order 1 is to sell 10 at $1.90

EBBO component A: 4.00(10) x 5.00(10)

EBBO component B: 2.00(10) x 2.50(10)

NBBO component A: 4.0510) x 4.15(10)

NBBO component B: 2.30(10) x 2.40(10)

icEBBO: 1.50 (10) x 3.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

The Exchange receives a new order (Order 2) to buy 20 at $2.25.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

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[31]   The Implied Complex MIAX Emerald Best Bid or Offer ("icEBBO") is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. See Exchange Rule 518(a)(12).

[32]   The Complex National Best Bid or Offer ("cNBBO") is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offeror a complex strategy. See Exchange Rule 518(a)(2).

No new liquidity arrives during the Auction. At the end of the Auction, Order 2 reprices to its limit of $2.25 and is posted at that price on the Strategy Book, ending the Complex Liquidity Exposure Process.

Example 3

MPC: $0.25

The Exchange has one order resting on its book in Strategy +1 component A, -1 component B:

Order 1 is to sell 10 at $1.90

EBBO component A: 4.00(10) x 5.00(10)

EBBO component B: 2.00(10) x 2.50(10)

NBBO component A: 4.0510) x 4.15(10)

NBBO component B: 2.30(10) x 2.40(10)

icEBBO: 1.50 (10) x 3.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

The Exchange receives a new order (Order 2) to buy 20 at $2.45.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

No new liquidity arrives during the Auction. At the end of the Auction, Order 2 reprices to its next protected price of $2.35 (prior protected price of 2.10 + 0.25) and is posted at that price on the Strategy Book and the Complex Liquidity Exposure Process Auction begins.

No new liquidity arrives during the Auction. At the end of the Auction, Order 2 reprices to its limit of $2.45 and is posted at that price on the Strategy Book, ending the Complex Liquidity Exposure Process.

Finally, the Exchange proposes to amend subsection (b) of Interpretation and Policy .05 to adopt new rule text stating that the Calendar Spread Variance ("CSV") price protection applies only to strategies in American-style option classes. A Calendar Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. The CSV establishes a minimum trading price limit for Calendar Spreads. The maximum possible value of

a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus the pre-set value of $.10. This ensures that the Strategy doesn't trade more than $.10 away from its intrinsic value. (On a basic level the price of an American-style option is comprised of two components; intrinsic value and time value. If the strike price of a call option is $5.00 and the stock is priced at $6.00, there is $1.00 of intrinsic value in the price of the call option, anything above $1.00 represents the time value component.) An American-style option must be worth at least as much as its intrinsic value because the holder of the option can realize the intrinsic value by immediately exercising the option. In a Calendar Spread strategy comprised of American-style options, ceteris paribus, the far month should be worth more than the near month due to its having a longer time to expiration and therefore a greater time value. As European-style options[33] may only be exercised on their expiration date, the relationship between the stock price, option price, and option strike price that exists for American-style options does not exist for European-style options. Therefore the CSV price protection would be ineffective and will not be available for strategies comprised of European-style options.

Additionally, the Exchange believes that although MIAX Emerald rules may, in certain instances, intentionally differ from MIAX Options rules, the proposed changes will promote uniformity with MIAX Options with respect to rules that are intended to be identical. MIAX Emerald and MIAX Options may have a number of Members in common, and where feasible the Exchange intends to implement similar behavior to provide consistency between MIAX Options and MIAX Emerald so as to avoid confusion among Members.

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[33]   The term "European-style option" means an option contract that, subject to the provisions of Rule 700 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date. See Exchange Rule 100.

>   2.   Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the

Act[34] in general, and furthers the objectives of Section 6(b)(5) of the Act[35] in particular, in that it

is designed to prevent fraudulent and manipulative acts and practices, to promote just and

equitable principles of trade, to foster cooperation and coordination with persons engaged in

regulating, clearing, settling, processing information with respect to, and facilitating transactions

in securities, to remove impediments to and perfect the mechanisms of a free and open market

and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposal to eliminate the Defined Time Period to allow

Complex Auctions[36] to occur throughout the trading session removes impediments to and

perfects the mechanism of a free and open market and a national market system and, in general,

protects investors and the public interest by removing an unnecessary barrier which prevented

Complex Auctions from occurring with less than two seconds left in the trading session. The

current anticipated duration of a Complex Auction is just 200 milliseconds. The Exchange

believes it is in the best interest of the investor to allow for opportunities for price improvement

throughout the entire trading session. In the event that a Member initiates a Complex Auction

and no Members respond, the initiating Member is no worse off under the proposed rule than the

Member would have been under the current rule which prevents the Member from even

attempting to initiate a Complex Auction with less than two seconds left in the trading session.

Additionally, a Member who initiates a Complex Auction will not forego the opportunity to trade

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[34]   15 U.S.C. 78f(b).

[35]   15 U.S.C. 78f(b)(5).

[36]   Complex Auctions are described in Exchange Rule 518(d) and are separate and distinct
         from cPRIME Auctions which are described in Interpretation and Policy .12 of Exchange
         Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation
         Mechanism.

with unrelated interest received during the Auction period, as this interest is included in the

Complex Auction.[37]

The Exchange believes the proposed changes promote just and equitable principles of

trade and remove impediments to and perfect the mechanism of a free and open market and a

national market system because they seek to add additional detail to, and improve the accuracy

of, the Exchange's rules. In particular, the Exchange believes that the proposed rule changes will

provide clarity and transparency of the Exchange's rules to Members and the public, and it is in

the public interest for rules to be accurate and concise so as to minimize the potential for

confusion.

Further, the Exchange believes that providing a TMPC Price during a Complex Auction

or a cPRIME Auction protects investors against executions at potentially erroneous prices.

Additionally, the Exchange believes that adding additional detail to the Exchange's rules

regarding the operation of MIAX Options Price Collar, and including the method of calculating a

TMPC Price for the limited circumstances when one is used, promotes just and equitable

principles of trade and removes impediments to a free and open market by providing greater

transparency concerning the operation of Exchange functionality.

The Exchange also believes its proposal to adopt a Complex Liquidity Exposure Process

promotes just and equitable principles of trade and removes impediments to and perfects the

mechanisms of a free and open market and a national market system and, in general, protects

investors and the public interest. The Complex Liquidity Exposure Process provides an

additional opportunity for price discovery for those orders that would trade through their MPC

Price. The Exchange believes its proposal promotes just and equitable principles of trade as it is

in the best interest of the Member to seek liquidity for the unexecuted portion of the order which

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[37]   See supra note 14.

exceeds the order's MPC Price rather than to simply cancel the unexecuted portion back to the Member.[38]

The Exchange also believes that its proposal to amend Interpretation and Policy .05(f) to reflect the changes resulting from the introduction of the Complex Liquidity Exposure Process promotes just and equitable principles of trade, and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by clearly describing the operation of the Exchange's functionality in the Exchange's rules. The Exchange believes it is in the interest of investors and the public to accurately describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Further, the Exchange's proposal to make non-substantive changes to re-number certain paragraphs for internal consistency within the rule benefits investors and the public interest by providing clarity and accuracy in the Exchange's rules.

Finally, the Exchange believes its proposal to clarify that the Calendar Spread Variance (CSV) price protection is available only for American-style options promotes just and equitable principles of trade, and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, and protects investors and the public interest by providing clarity and precision in the Exchange's rules. Given that European-style options may only be exercised on their expiration date, the CSV price protection would be ineffective for strategies comprised of European-style options. Therefore, under the Exchange's proposal, the CSV price protection will not be available for strategies comprised of European-style options. The Exchange believes it is in the interest of investors and the public to accurately

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[38]   The Exchange notes that Members who believe that an execution has occurred at an erroneous price may avail themselves of the protections provided in Exchange Rule 521, Nullification and Adjustment of Options Transactions Including Obvious Errors.

describe the behavior of the Exchange's System in its rules as this information may be used by investors to make decisions concerning the submission of their orders. Transparency and clarity are consistent with the Act because it removes impediments to and helps perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest by accurately describing the behavior of the Exchange's System. In particular, the Exchange believes that the proposed rule change will provide greater clarity to Members and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

B.   Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition. The Exchange's proposal seeks to enhance complex order trading on the Exchange, and may potentially enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. The changes to the Exchange rules concerning the use of a TMPC Price is designed to add additional detail to the rules to further clarify the operation of Exchange functionality and to minimize the potential for confusion.

Additionally, the Exchange does not believe the proposed rule change will impose any burden on intra-market competition as the Rules apply equally to all Members of the Exchange.

C.   Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III.   Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the

protection of investors or the public interest; (ii) impose any significant burden on competition;

and (iii) become operative for 30 days after the date of the filing, or such shorter time as the

Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act[39] and

Rule 19b-4(f)(6)[40] thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission

summarily may temporarily suspend such rule change if it appears to the Commission that such

action is necessary or appropriate in the public interest, for the protection of investors, or

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the

Commission shall institute proceedings to determine whether the proposed rule should be

approved or disapproved.

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

☐   Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml);

    or

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[39]   15 U.S.C. 78s(b)(3)(A).

[40]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory
       organization to give the Commission written notice of its intent to file the proposed rule
       change at least five business days prior to the date of filing of the proposed rule change,
       or such shorter time as designated by the Commission. The Exchange has satisfied this
       requirement.

☐   Send an e-mail to rule-comments@sec.gov. Please include File Number SR-

EMERALD-2019-14 on the subject line.

Paper comments:

☐   Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and

Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-EMERALD-2019-14. This file number

should be included on the subject line if e-mail is used. To help the Commission process and

review your comments more efficiently, please use only one method. The Commission will post

all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml).

Copies of the submission, all subsequent amendments, all written statements with respect

to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those

that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission's Public Reference Room, 100 F

Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change; the

Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-EMERALD-2019-14 and should be

submitted on or before [insert date 21 days from publication in the <u>Federal Register</u>]. For the

Commission, by the Division of Trading and Markets, pursuant to delegated authority.[41]

Brent J. Fields
Secretary

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[41]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is <u>underlined</u>;
Deleted text is in [brackets]

MIAX Emerald, LLC

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Rule 518. Complex Orders

(a) No change.

(b) **Types of Complex Orders**.

　　　(1) **General**. The complex order types that may be submitted for use on the Exchange are limit orders, market orders, Good 'til Cancelled ("GTC") Orders, or Day Limit Orders as each such term is defined in Rule 516, or Complex Auction-on-Arrival ("cAOA") Orders, Complex Auction-or-Cancel ("cAOC") Orders, Complex Immediate-or-Cancel ("cIOC") Orders, Complex Customer Cross ("cC2C") Orders, or Complex Qualified Contingent Cross ("cQCC") Orders as such terms are defined below.

　　　(2) **Complex Auction-on-Arrival Order**.

　　　　　(i) A "Complex Auction-on-Arrival" or "cAOA" Order is a complex order designated to be placed into a Complex Auction upon receipt or upon evaluation. Complex orders that are not designated as cAOA will, by default, not initiate a Complex Auction upon arrival, but except as described herein will be eligible to participate in a Complex Auction that is in progress when such complex order arrives or if placed on the Strategy Book may participate in or may initiate a Complex Auction, following evaluation conducted by the System (as described in subparagraph (d) below). [A cAOA Order received during the Defined Time Period (as described in Rule 518(d)(2) below) will not initiate a new Complex Auction.]

　　　　　(ii) No change

　　　(3) – (7) No change

(c) No change

(d) **Complex Auction Process**. Certain option classes, as determined by the Exchange and communicated to Members via Regulatory Circular, will be eligible to participate in a Complex Auction (an "eligible class"). Upon evaluation as set forth in subparagraph (c)(5) above, the Exchange may determine to automatically submit a Complex Auction-eligible order into a Complex Auction. Upon entry into the System or upon evaluation of a complex order resting at the top of the Strategy Book, Complex Auction-eligible orders may be subject to an automated request for responses ("RFR").

(1) No change

(2) **Commencement of Complex Auction.** Upon receipt of a Complex Auction-eligible order or upon an evaluation by the System indicating that there is a Complex Auction-eligible order resting on the Strategy Book, as set forth in subparagraph (c)(5) above, the Exchange may begin the Complex Auction process by sending an RFR message. The RFR message will be sent to all subscribers to the Exchange's data feeds that deliver RFR messages. The RFR message will identify the complex strategy, the price, quantity of matched complex quotes and/or orders at that price, imbalance quantity, and side of the market of the Complex Auction-eligible order. The price included in the RFR Message will be the limit order price, unless: (i) that price is through the opposite side dcEBBO, or (ii) the Complex Auction is initiated by a complex market order, in which case such price will be the dcEBBO. The Exchange may determine to limit the frequency of Complex Auctions for a complex strategy (i.e., establish a minimum time period between Complex Auctions initiated for complex orders in that strategy resting on the Strategy Book). The duration of such limitation will be established on an Exchange-wide basis and communicated to Members via Regulatory Circular. The Exchange will not change the duration of the minimum time period on an intra-day basis during any trading session. However, a new complex order received by the System during such limitation that ordinarily triggers a Complex Auction will still trigger a Complex Auction upon receipt. [Notwithstanding the foregoing, the System will not commence a Complex Auction within a defined time period prior to the end of the trading session (the "Defined Time Period") established by the Exchange and communicated to Members via Regulatory Circular). The Defined Time Period shall be at least 100 milliseconds, and may not exceed 10 seconds.]

(3) **Response Time Interval.** The "Response Time Interval" means the period of time during which responses to the RFR may be entered. The Exchange will determine the duration of the Response Time Interval, which shall not exceed 500 milliseconds, and will communicate it to Members via Regulatory Circular. The end of the trading session will also serve as the end of the Response Time Interval for a Complex Auction still in progress.

(4) – (12) No change

(e) **Complex Liquidity Exposure Process ("cLEP") for Complex Orders.** The System will initiate a cLEP Auction whenever a complex order or eQuote would execute or post at a price that would violate its MPC Price, as described in Interpretation and Policy .05(f). The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all subscribers of the Exchange's data feeds. The liquidity exposure message will include the symbol, side of the market, auction start price (MPC Price of the complex order or eQuote), and the imbalance quantity.

Response Time Interval. The "Response Time Interval" means the period of time during which responses to the liquidity exposure message may be entered. The duration of the Response Time Interval shall be no less than 100 milliseconds and no more than 5,000 milliseconds, as determined by the Exchange and announced through a Regulatory Circular.

Responses. Members may submit a response to the liquidity exposure message during the Response Time Interval. Responses may be submitted in $0.01 increments. Responses must be a cAOC Order or a cAOC eQuote as defined in Interpretation and Policy .02 of this Rule and may be submitted on either side of the market. Responses represent non-firm interest that can be withdrawn at any time prior to the end of the Response Time Interval. At the end of the Response Time Interval, responses are firm (i.e., guaranteed at the response price and size). Any responses not executed in full will expire at the end of the cLEP Auction. A response on the opposite side of the initiating order with a size greater than the aggregate size of interest at the same price on the same side of the market as the initiating order (the "aggregate auctioned size") will be capped for allocation purposes at the aggregate auctioned size.

End of Complex Liquidity Exposure Process. At the conclusion of the cLEP Auction the resulting trade price will be determined by the Exchange's Complex Auction Pricing described in subsection (d)(6) of this Rule and interest will be executed as provided in subsection (d)(6) of this Rule. In no event will the resulting trade price of a cLEP Auction ever be more aggressive than the MPC Price. Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii) – (v) of this Rule, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation process as described below.

Allocation at the Conclusion of a Complex Liquidity Exposure Auction. Orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule.

Reevaluation. At the conclusion of a cLEP Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of this Rule. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

Interpretations and Policies:

.01. – .04 No change

.05. **Price and Other Protections.** Unless otherwise specifically set forth herein, the price and other protections contained in this Interpretation and Policy .05 apply to all complex order types set forth in Rule 518(b) above.

(a) No change

(b) **Calendar Spread Variance ("CSV") Price Protection**. A "Calendar Spread" is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. The CSV establishes a minimum trading price limit for Calendar Spreads.

     (1) The maximum possible value of a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus a pre-set value.

     (2) The pre-set value will be uniform for all option classes traded on the Exchange as determined by the Exchange and communicated to Members via Regulatory Circular.

     (3) CSV Price Protection applies only to strategies in American-style option classes.

(c) – (e) No change

(f) **Complex MIAX Emerald Price Collar Protection**. The Complex MIAX Emerald Price Collar ("MPC") price protection feature is an Exchange-wide price protection mechanism under which a complex order or eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in $0.01 increments (the "MPC Setting"), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the "MPC Price").

     (1) – (2) No change

     [(3) The MPC Price is established (i) upon receipt of the complex order or eQuote during free trading, or (ii) if the complex order or eQuote is not received during free trading: (A) at the beginning of a Complex Auction; (B) at the opening (or reopening following a halt) of trading in the complex strategy; or (C) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretation and Policy .05(e)(1) of this Rule, no longer exists. Once established, the MPC Price will not change during the life of the complex order or eQuote.]

     (3) The MPC Price is established:

          (i) upon receipt of the complex order or eQuote during free trading, or

          (ii) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or

          (iii) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretation and Policy .05(e)(1) of this Rule, no longer exists.

(4) A Temporary MPC Price ("TMPC Price") is established solely for use during a Complex Auction (as described in Rule 518(d)) or a cPRIME Auction (as described in Rule 515A, Interpretation and Policy .12) for (i) any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or a cPRIME Auction in that strategy; or (ii) any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction. The TMPC Price shall be the auction start price (the auction start price of a cPRIME Agency Order for a cPRIME Auction is defined in Rule 515A.12(a)(i) and the auction start price for a Complex Auction is defined in Rule 518(d)(1)) plus (minus) the MPC Setting if the order is a buy (sell). If the complex order or eQuote eligible to participate in the Complex Auction or cPRIME Auction is priced more aggressively than the TMPC Price (i.e., the complex order or eQuote price is greater than the TMPC Price for a buy order, or the complex order or eQuote price is lower than the TMPC Price for a sell order) the complex order or eQuote may participate in the auction but will not trade through its TMPC Price.

([4]5) If the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote's bid price for a buy, or the MPC Price is greater than the complex order or eQuote's offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price. Any unexecuted portion of such a complex order or eQuote: (A) will be [cancelled if it would otherwise be displayed or executed at a price that is outside the MPC Price]subject to the cLEP as described in subsection (e) of this Rule, and (B) may be subject to the managed interest process described in Rule 518(c)(4).

([5]6) If the MPC Price is priced more aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is greater than the complex order or eQuote's bid price for a buy, or the MPC Price is less than the complex order or eQuote's offer price for a sell), the complex order or eQuote will be displayed and/or executed up to its limit price. Any unexecuted portion of such a complex order will be submitted, if eligible, to the managed interest process described in Rule 518(c)(4), or placed on the Strategy Book at its limit price. Any unexecuted portion of such a complex eQuote will be cancelled.

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