SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75152; File No. SR-MIAX-2015-19)

June 11, 2015

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Order Approving
a Proposed Rule Change to Amend Exchange Rule 515

I.   Introduction

 On April 13, 2015, Miami International Securities Exchange LLC ("MIAX" or

"Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to

Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a

proposed rule change to amend Exchange Rule 515 regarding the functionality of Customer

Cross Order and Qualified Contingent Cross Order types. The proposed rule change was

published for comment in the Federal Register on April 30, 2015.[3] The Commission did not

receive any comments on the proposal. This order approves the proposed rule change.

II.   Description of the Proposal

        The Exchange proposes amendments to MIAX Rule 515(h) to provide that trading

interest that is subject to an ongoing timer or auction will maintain priority over a new incoming

Customer Cross Order or Qualified Contingent Cross Order. MIAX Rule 515(h)(1) provides that

Customer Cross Orders[4] are automatically executed upon entry provided that the execution (i) is

at or between the best bid and offer on the Exchange; (ii) is not at the same price as a Priority

Customer Order on the Exchange's Book; and (iii) will not trade at a price inferior to the national

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

[2]   17 CFR 240.19b-4.

[3]   See Securities Exchange Act Release No. 74809 (April 24, 2015), 80 FR 24297 (SR-
        MIAX-2015-19) ("Notice").

[4]   See MIAX Rules 515(h)(1) and 516(i). The Commission notes that the Customer Cross
        Order type is currently not available for use on the Exchange. See MIAX Options
        Regulatory Circular, RC-2015-05.

best bid or offer ("NBBO"). Customer Cross Orders are automatically canceled if they cannot be executed.[5] Customer Cross Orders may only be entered in the minimum trading increments applicable to the options class under Rule 510.[6]

MIAX Rule 515(h)(2) provides that Qualified Contingent Cross Orders[7] are automatically executed upon entry provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Book; and (ii) is at or between the NBBO. Qualified Contingent Cross Orders are automatically canceled if they cannot be executed.[8] Qualified Contingent Cross Orders may only be entered in the minimum trading increments applicable to the options class under MIAX Rule 510.[9]

Although neither the Customer Cross Order nor the Qualified Contingent Cross Order may be executed at a price inferior to the NBBO, the Exchange notes that there are situations at the Exchange during which trading interest may exist in the Exchange's System that could be executable at prices up to the NBBO but is not automatically executed because the Exchange is either attempting to obtain additional price improvement for the order or additional liquidity to trade against the order on the Exchange. The Exchange states that it employs a variety of timers and auctions to provide market participants with an opportunity to obtain additional price improvement for their order or to access additional liquidity to trade against the order on the Exchange. Specifically, during the liquidity refresh pause or managed interest process pursuant

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5   See Notice, supra note 3, at 24297.

6   See MIAX Rule 515(h)(1).

7   See MIAX Rules 515(h)(2) and 516(j). See also MIAX Rule 516, Interpretations and Policies .01. The Qualified Contingent Cross Order is currently not deployed; however, the Exchange represents that it intends to make the order type available pending Commission approval of the proposed rule change. See Notice, supra note 3, at 24297.

8   See Notice, supra note 3, at 24297.

9   See MIAX Rule 515(h)(2).

to MIAX Rule 515(c),[10] or a route timer pursuant to MIAX Rule 529,[11] the Exchange has trading interest that exists that may be executable up to the NBBO but is displayed at a price one minimum price increment away. In addition, during the price improvement mechanisms such as the PRIME Auction or PRIME Solicitation Auction pursuant to MIAX Rule 515A,[12] the Exchange has trading interest that exists that may be executable up to the NBBO but is not displayed.[13]

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[10]   The "liquidity refresh pause" is a process during which the System will pause the market for a time period not to exceed one second to allow additional orders or quotes refreshing the liquidity at the MIAX best bid or offer ("MBBO") to be received when at the time of receipt or reevaluation of the initiating order by the System: (A) either the initiating order is a limit order whose limit price crosses the NBBO or the initiating order is a market order, and the limit order or market order could only be partially executed; (B) a Market Maker quote was all or part of the MBBO when the MBBO is alone at the NBBO; and (C) and the Market Maker quote was exhausted. See MIAX Rule 515(c)(2). The "managed interest process" is a process for non-routable orders during which, if the limit price locks or crosses the current opposite side NBBO, the System will display the order one MPV away from the current opposite side NBBO, and book the order at a price that will lock the current opposite side NBBO. Should the NBBO price change to an inferior price level, the order's Book price will continuously re-price to lock the new NBBO and the managed order's displayed price will continuously re-price one MPV away from the new NBBO until (i) the order has traded to and including its limit price, (ii) the order has traded to and including its price protection limit at which any remaining contracts are cancelled, (iii) the order is fully executed or (iv) the order is cancelled. See MIAX Rule 515(c)(1)(ii).

[11]   See MIAX Rule 529. The "route timer" is a process for those initiating Public Customer orders that are routable, but do not meet the additional criteria for Immediate Routing, during which the System will implement a route timer not to exceed one second, in order to allow Market Makers and other participants an opportunity to interact with the initiating order.

[12]   The "PRIME Auction" is a process by which a Member may electronically submit for execution ("auction") an order it represents as agent ("agency order") against principal interest, and/or an agency order against solicited interest. See MIAX Rule 515A(a). The "PRIME Solicitation Mechanism" is a process by which a Member that represents agency orders of a size of 500 contracts or more may electronically execute against solicited orders provided it submits both the agency order and solicited orders for electronic execution into the PRIME Solicitation Mechanism pursuant to Rule 515A. See MIAX Rule 515A(b).

[13]   See Notice, supra note 3, at 24298.

According to the Exchange, the execution of a Customer Cross Order or Qualified Contingent Cross Order that arrives during a timer or auction at a potentially better price than the interest subject to the timer or auction has the potential to cause confusion and perceived disruption to market participants that are subject to the pre-existing timers or auctions that may see executions occurring at better prices than their trading interest. In addition, the Exchange believes that the timers and auctions provide a valuable service to market participants and that the use of these mechanisms, which provide market participants with opportunities to obtain additional price improvement for their orders or to access additional liquidity to trade against the orders, should be promoted on the Exchange. The Exchange proposes to modify its Rules in order to maintain the priority of trading interest subject to timers and auctions that are initiated prior to the arrival of these specified order types. The proposed changes also would codify existing functionality for Customer Cross Orders that is not currently detailed in the Exchange's Rules.[14]

Thus, the Exchange proposes to amend Rule 515 to provide that Customer Cross Orders and Qualified Contingent Cross Orders will be rejected if there is a timer or price improvement auction in progress when either of these orders is received. Specifically, the Exchange proposes to amend Rule 515(h)(1) to provide that if trading interest exists on the MIAX Book that is subject to the liquidity refresh pause or managed interest process pursuant to Rule 515(c), or a route timer pursuant to Rule 529, when the Exchange receives a Customer Cross Order, the System will reject the Customer Cross Order. The Exchange also proposes to amend Rule 515(h)(1) to provide that if trading interest exists that is subject to a PRIME Auction or PRIME

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[14]   See id. at 24297.

Solicitation Auction pursuant to Rule 515A when the Exchange receives a Customer Cross Order, the System will reject the Customer Cross Order.

In addition, the Exchange proposes to amend Rule 515(h)(2) to provide that if trading interest exists on the MIAX Book that is subject to the liquidity refresh pause or managed interest process pursuant to Rule 515(c), or a route timer pursuant to Rule 529, when the Exchange receives a Qualified Contingent Cross Order, the System will reject the Qualified Contingent Cross Order. The Exchange also proposes to amend Rule 515(h)(2) to provide that if trading interest exists that is subject to a PRIME Auction or PRIME Solicitation Auction pursuant to Rule 515A when the Exchange receives a Qualified Contingent Cross Order, the System will reject the Qualified Contingent Cross Order. The Exchange proposes no changes to the Customer Cross Order and the Qualified Contingent Cross Order order types, and represents that both order types will continue to be subject to the same requirements as before.[15]

III.   Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act[16] and the rules and regulations thereunder applicable to a national securities exchange.[17] Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[18] which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to

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[15]   See id. at 24298.

[16]   15 U.S.C. 78f.

[17]   Additionally, in approving the proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

[18]   15 U.S.C. 78f(b)(5).

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remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that it is reasonable for the Exchange's rules to provide that trading interest subject to ongoing timers and auctions will maintain priority over a new incoming Customer Cross Order or Qualified Contingent Cross Order. The proposed rule change provides that a Customer Cross Order or Qualified Contingent Cross Order will be rejected by the System if there is a timer or price improvement auction in progress. In that instance, market participants may choose to route their orders to other exchanges or resubmit their Customer Cross Order or Qualified Contingent Cross Order to the Exchange. The proposed rule change may eliminate potential confusion by market participants as to the functionality of the Customer Cross Order and Qualified Contingent Cross Order types. The proposed rule change also provides clarity regarding the functionality of Customer Cross Orders; the Commission notes that the proposed changes would codify existing functionality for Customer Cross Orders that is not currently detailed in the Exchange's Rules.[19] Finally, the Commission emphasizes that the proposed rule change does not change any of the requirements for submitting a Customer Cross Order or Qualified Contingent Cross Order set forth in Rule 515.[20]

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[19] See Notice, supra note 3, at 24297.

[20] See id. at 24298.

IV.   Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[21] that the

proposed rule change (File No. SR-MIAX-2015-19) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated

authority.[22]

Robert W. Errett
Deputy Secretary

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[21]   15 U.S.C. 78s(b)(2).

[22]   17 CFR 200.30-3(a)(12).