SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75361; File No. SR-MIAX-2015-44)

July 6, 2015

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Amend Exchange Rule 612 Regarding Enhanced Aggregate Risk Manager Protections for Exchange Market Makers

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 June 26, 2015, Miami

International Securities Exchange LLC ("MIAX" 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 612 to provide Enhanced

Aggregate Risk Manager Protections for Exchange Market Makers.

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

http://www.miaxoptions.com/filter/wotitle/rule_filing, at MIAX's principal office, and at the

Commission's Public Reference Room.

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

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

[2]   17 CFR 240.19b-4.

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.   <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

      1.   <u>Purpose</u>

The Exchange proposes to amend Exchange Rule 612, Aggregate Risk Manager

("ARM") to provide optional enhanced risk protections for Exchange Market Makers.[3]

Currently, ARM protects Market Makers by limiting the number of contracts they execute in an

option class on the Exchange within a specified time period that has been established by the

Market Maker (a "specified time period"), which may have a duration of up to 15 seconds.

MIAX Market Makers establish a percentage of their quotations (the "Allowable Engagement

Percentage") and the specified time period for each option class in which they are appointed.[4]

When an execution against a Market Maker's Standard quote[5] or Day eQuote (as defined below)

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[3]   The term "Market Makers" refers to "Lead Market Makers," "Primary Lead Market Makers" and "Registered Market Makers" collectively. A Lead Market Maker is a Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of these Rules with respect to Lead Market Makers. A Primary Lead Market Maker is a Lead Market Maker appointed by the Exchange to act as the Primary Lead Market Maker for the purpose of making markets in securities traded on the Exchange. A Registered Market Maker is a Member registered with the Exchange for the purpose of making markets in securities traded on the Exchange, who is not a Lead Market Maker. See Exchange Rule 100.

[4]   The Exchange's Board or designated committee appoints one Primary Lead Market Maker and other Market Makers to each options class traded on the Exchange. For a complete description of the Exchange's appointment process, see Exchange Rule 602.

[5]   A Standard quote is a quote submitted by a Market Maker that cancels and replaces the Market Maker's previous Standard quote, if any. See Exchange Rule 517(a)(1).

occurs, the MIAX System[6] looks back over the specified time period to determine whether the execution is of sufficient size to trigger the Aggregate Risk Manager. The System engages the Aggregate Risk Manager when it has determined that a Market Maker has traded a number of contracts equal to or above their Allowable Engagement Percentage during the specified time period. The Aggregate Risk Manager then automatically cancels and removes the Market Maker's Standard quotes and Day eQuotes from the Exchange's disseminated quotation in all series of that particular option class until the Market Maker sends a notification to the System of the intent to reengage quoting and submits a new revised quotation in the affected class.

The Exchange proposes to add new, optional enhanced functionality to the ARM by adopting new Interpretations and Policies .02 to Rule 612, entitled Enhanced Aggregate Risk Manager Protections. The proposed rule would address circumstances where a Market Maker experiences multiple, successive triggers of the Aggregate Risk Manager. The Enhanced ARM Protections would be triggered when the Allowable Engagement Percentage has been equaled or exceeded a specified number of times (not less than three times and not greater than 99 times) within a specified time period (not less than one second and not greater than 24,300 seconds) (each as determined by the Market Maker). For purposes of the Enhanced ARM Protections, the specified time period will be called the "ARM trigger counting period" in the rule.[7] Market

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

[7]   Respecting the proposed Enhanced ARM Protections, the Exchange proposes to adopt the term "ARM trigger counting period" in order to distinguish it from the "specified time period" defined in current Rule 612(a). The term "specified time period" describes the time period within which the System counts the number of executed contracts to determine whether the Allowable Engagement Percentage has been equaled or exceeded; the term "ARM trigger counting period" describes the time period within which the System counts the number of times the Allowable Engagement Percentage is equaled or exceeded.

Makers may determine not to engage the Enhanced ARM Protections or may determine to engage either or both of two proposed Enhanced ARM Protections in the System: the Class Protection feature and the Market Maker Protection feature, each described more fully below.

The Enhanced ARM Protections may be engaged simultaneously and will operate independently of one another. The ARM trigger counting period may be set differently for each Enhanced ARM Protection when they are engaged simultaneously. The determination not to engage the Enhanced ARM Protections does not require any action on the part of Market Makers.

eQuotes

Current Interpretations and Policies .01 to Rule 612 states that eQuotes[8] do not participate in the Aggregate Risk Manager. The Exchange proposes to amend Interpretations and Policies .01 to clarify that one type of eQuote, the Day eQuote,[9] participates in the ARM. The System does not include contracts traded through the use of an eQuote that is not a Day eQuote in the counting program for purposes of this Rule. eQuotes will remain in the System available for trading when the Aggregate Risk Manager is engaged. Day eQuotes participate in the Aggregate Risk Manager and will be included in the Enhanced ARM Protections. Day eQuotes are the only type of eQuote with a time in force (up to an entire trading session if not

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[8] An eQuote is a quote with a specific time in force that does not automatically cancel and replace a previous Standard quote or eQuote. An eQuote can be cancelled by the Market Maker at any time, or can be replaced by another eQuote that contains specific instructions to cancel an existing eQuote. See Exchange Rule 517(a)(2).

[9] A Day eQuote is a quote submitted by a Market Maker that does not automatically cancel or replace the Market Maker's previous Standard quote or eQuote. Day eQuotes will expire at the close of trading each trading day. The Exchange reserves the right to limit the number of Day eQuotes that a single Market Maker may place on the same side of an individual option. The same limit will apply to all types of Market Makers. If the Exchange determines to establish a limit, it will be no more than ten Day eQuotes on the same side of an individual option. The Exchange will publish the limit through the issuance of a Regulatory Circular. See Exchange Rule 517(a)(2)(i).

executed) that can last longer than an extremely brief time period, and thus are included in the current ARM counting period and will be included in the ARM trigger counting period.

All other eQuotes (Auction or Cancel,[10] Opening Only,[11] Immediate or Cancel,[12] Fill or Kill,[13] and Intermarket Sweep[14] eQuotes) are not included in ARM and will not be included in the Enhanced ARM Protections. These types of eQuotes have a very short time in force and thus are present in the Exchange's disseminated quotation for an extremely brief time period before they are cancelled automatically if not executed. A Market Maker that submits an eQuote other than a Day eQuote expects and intends that such eQuote will be executed or cancelled without the need for ARM protection. Therefore eQuotes that are not Day eQuotes are not included in the ARM counting system.

Class Protection Feature

Proposed Interpretations and Policies .02(a) would provide that a Market Maker may determine to engage the Class Protection feature for a particular option class in which the Market Maker is appointed (an "appointed option class"). When the Allowable Engagement Percentage in such appointed option class has been equaled or exceeded a specified number of times within the ARM trigger counting period, the Class Protection feature will remove the Market Maker's quotations from the Exchange's disseminated quotation in such appointed option class until the Market Maker instructs the Exchange (in a manner required by the Exchange and communicated to Members by Regulatory Circular) to reset the Class Protection feature. Additional quotations

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[10]   See Exchange Rule 517(a)(2)(ii).

[11]   See Exchange Rule 517(a)(2)(iii).

[12]   See Exchange Rule 517(a)(2)(iv).

[13]   See Exchange Rule 517(a)(2)(v).

[14]   See Exchange Rule 517(a)(2)(vi).

from the Market Maker in the affected class are not accepted until the Class Protection feature is reset.

The Class Protection feature is distinguished from the regular function of ARM because the ARM trigger counting period, during which the System counts the number of times ARM is triggered for the affected option class, usually would be longer than the "specified time period" described in Rule 612(a), during which the ARM counts executed contracts. The Class Protection feature is intended to alert Market Makers that there may be ongoing volatile or otherwise unusual market conditions that necessitate specific evaluation of their ARM settings, and of the conditions that result in the number of ARM triggers that occurred during the ARM trigger counting period.

The Class Protection feature removes quotes from the Exchange's disseminated quotation until the Market Maker instructs the Exchange (in a manner required by the Exchange and communicated to Members by Regulatory Circular) to reset the Class Protection feature.[15] This non-automated instruction requires the Exchange to reset the Enhanced ARM Protection feature, as opposed to the method of resetting the standard ARM feature, where the Market Maker resets the ARM by sending a notification to the System of the intent to reengage quoting and submits a new revised quotation in the affected class. The purpose of the non-automated method of re-engaging the Class Protection feature is to give Market Makers the ability to reconsider, reset and confirm their Enhanced ARM Protection settings during times of peak or unusual market activity, rather than an automated re-engagement. The Exchange believes that this non-automated contact will strengthen the efficiency of the Enhanced ARM Protections by providing

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[15]   Any communication regarding the Enhanced ARM Protections must be in writing from the Market Maker or Market Maker organization via email or other electronic means to be described in the Regulatory Circular.

Market Makers with the ability to thoroughly assess current market conditions in setting risk management levels and controls.

Market Maker Protection Feature

The System will aggregate the specified number of times that the Allowable Engagement percentage has been equaled or exceeded in the Market Maker's specified number of unique appointed option classes within the ARM trigger counting period for an entire Market Maker organization. The Market Maker Protection feature will remove the Market Maker organization's quotations in all of the Market Maker organization's appointed option classes when the Allowable Engagement Percentage has been equaled or exceeded in the Market Maker organization's specified number of appointed option classes within the ARM trigger counting period, regardless of how many individual Market Makers in the same Market Maker organization are submitting quotations on MIAX. As with the Class Protection feature, and for the reasons described above, such quotes will be removed until the Market Maker instructs the Exchange (in a manner required by the Exchange and communicated to Members by Regulatory Circular) to reset the Market Maker Protection feature. Additional quotations from the Market Maker are not accepted until the Market Maker Protection feature is reset. One representative from a Market Maker organization may instruct the Exchange to reset the Market Maker Protection feature on behalf of his or her Market Maker organization.

Examples

Market Maker organization "Red, Inc." has three individual Market Makers ("MMs") properly registered on MIAX. Red, Inc. MM 1 is appointed in option classes A, B and C. Red, Inc. MM2 is appointed in option classes D, E, F, and G. Red, Inc. MM3 is appointed in option classes H and I. Assume Red, Inc. determines that the Market Maker Protection feature will be

engaged when the Allowable Engagement Percentage is equaled or exceeded three times (as described below) within their designated ARM trigger counting period.

If within the ARM trigger counting period the Allowable Engagement Percentage is equaled or exceeded in option classes A, B, and C, the Market Maker Protection feature will remove Red Inc.'s quotations in all of its appointed option classes, (classes A through I), even though the only individual Market Maker affected is MM1, who is appointed in the three affected option classes.

If within the ARM trigger counting period the Allowable Engagement Percentage is equaled or exceeded in option classes A, D, and H, the Market Maker Protection feature will remove Red Inc.'s quotations in all of its appointed option classes, (classes A through I), because the Allowable Engagement Percentage in three of Red, Inc.'s appointed option classes has been equaled or exceeded, regardless of the fact that the three affected appointed option classes are not appointed to the same individual Red, Inc. Market Maker.

In the event that the Allowable Engagement Percentage in one appointed option class is equaled or exceeded multiple times during the ARM trigger counting period, the System will consider such multiple events to be one single trigger for purposes of the activation of the Market Maker Protection feature. For example, if during the ARM trigger counting period there is one trigger in option class A, and there are five triggers in option class D, the System will calculate one trigger for option class A and just one trigger for option class D. Accordingly, the System will consider only two triggers to have occurred in Red, Inc.'s appointed option classes (one trigger in option class A, and one in option class D) during the ARM trigger counting period. In this example, the Market Maker Protection feature will not be engaged because Red, Inc. has determined that there must be three triggers during the ARM trigger counting period before the

Market Maker Protection feature is to be activated. The purpose of this provision is to ensure that unusual activity or volatility in one particular appointed option class does not unnecessarily prompt the Market Maker Protection feature to remove a Market Maker or Market Maker organization's quotations from the Exchange's disseminated quotation in all of their other unaffected appointed option classes. In such a situation, the normal ARM functionality described in Exchange Rule 612 (or the Class Protection feature[16]) is in place to remove such quotations in the single affected appointed option class.

The Exchange believes that the instant proposal should further assist Exchange Market Makers in managing their risk by establishing and making available additional risk management tools in the System. The Enhanced ARM Protection features will enable Exchange Market Makers to target a specific appointed option class, or all of its appointed option classes, for enhanced risk management and protection. This should assist Exchange Market Makers in targeting appointed option classes that could become extremely volatile under certain market conditions or when market events, news or other factors affect a Market Maker's ability to manage risk. The Enhanced ARM Protections are intended to address both foreseeable and unforeseeable market conditions in general, and can be tailored to meet the risk management needs of Exchange Market Makers and Market Maker organizations.

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 60 days following the operative date of the proposed rule. The implementation date will be no later than 60 days following the issuance of the Regulatory Circular.

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[16]   A Market Maker could elect to engage the Class Protection feature for a single option class. That feature is designed to provide an additional alert to Market Makers of an unusual number of ARM triggers in the affected assigned option class.

2.   Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act[17]

in general, and furthers the objectives of Section 6(b)(5) of the Act[18] 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 Members will benefit from the proposed Enhanced

Aggregate Risk Manager Protections. Market Makers, who are obligated to submit continuous

two-sided quotations in a certain number of series in their appointed option classes for a certain

percentage of each trading session,[19] are vulnerable to risk from unusual market conditions,

volatility in specific option classes, and other market events that may cause them to receive

multiple, extremely rapid automatic executions before they can adjust their quotations and

overall risk exposure in the market.

Without adequate risk management tools in place on the Exchange, such as the existing

ARM and the proposed Enhanced ARM Protections, the incentive for Exchange Market Makers

to quote aggressively respecting both price and size could be diminished, and could result in a

concomitant reduction in the depth and liquidity they provide to the market. Such a result may

undermine the quality of the markets that would otherwise be available to customers and other

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[17]   15 U.S.C. 78f(b).

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

[19]   For a complete description of MIAX Market Maker quoting obligations, see Exchange
Rule 604.

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market participants. Accordingly, the Exchange proposes the Enhanced ARM Protections to help Market Makers better manage their risk exposure and thus encourage Market Makers to provide additional depth and liquidity to the Exchange's markets, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest.

In addition, the Enhanced ARM Protections promote just and equitable principles of trade by providing Exchange Market Makers with more risk management mechanisms available on the Exchange to give them confidence that protections are in place to reduce the risks associated with their Market Making obligations. The Exchange notes that the implementation and use of the Enhanced ARM Protections will not relieve Exchange Market Makers of their continuous quoting obligations under Exchange Rule 604 and under Reg NMS Rule 602.[20] All of a Market Maker's quotes in each option class will be considered firm until such time as the Allowable Engagement Percentage threshold has been equaled or crossed and the Market Maker's quotes are removed by the Aggregate Risk Manager in all series of that option class.[21]

Finally, the proposed Enhanced ARM Protections are designed to protect investors and the public interest by helping Market Makers prevent executions resulting from activity that exceeds their risk tolerance level under these rules as established by the Exchange.

With regard to the impact of this proposal on system capacity, the Exchange notes that it has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with the proposed rule change. The Exchange believes that its members will not have a capacity issue as a result of this proposal.

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[20]   17 CFR 242.602.

[21]   See Exchange Rule 612(c).

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.

On the contrary, the Exchange believes that the proposed Enhanced ARM Protections will foster competition by providing Exchange Market Makers with an additional set of tools to use in submitting quotations with the best possible price and size in order to compete for executions and order flow. The Exchange believes the proposed Enhanced ARM Protections will not impose any burden on intra-market competition because its use is voluntary and is available to all Exchange Market Makers and Market Maker organizations.

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality. As to inter-market competition, the Exchange believes that the proposed Enhanced ARM Protections should promote competition because they are designed to protect Exchange Market Makers from unusual market conditions or events that may cause them to receive multiple, automatic executions before they can adjust their quotation exposure in the market.

For all the reasons stated, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will in fact enhance competition.

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[22] and

Rule 19b-4(f)(6)[23] 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

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

  MIAX-2015-44 on the subject line.

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[22]   15 U.S.C. 78s(b)(3)(A).

[23]   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.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange

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

All submissions should refer to File Number SR-MIAX-2015-44. 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 website (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-MIAX-2015-44 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.[24]

Brent J. Fields
Secretary

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[24]   17 CFR 200.30-3(a)(12).