

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="41"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="22"/>	Amendment No. (req. for Amendments *) <input type="text"/>
---	--	--	--

Filing by Miami International Securities Exchange, LLC.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
Section 806(e)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
---	---

**Description**

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

Proposed rule change relating to MIAX PRIME

**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 * <input type="text" value="Richard"/>	Last Name * <input type="text" value="Rudolph"/>
Title * <input type="text" value="Vice President and Senior Counsel"/>	
E-mail * <input type="text" value="rrudolph@miami-holdings.com"/>	
Telephone * <input type="text" value="(609) 897-1484"/>	Fax <input type="text"/>

**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 <input type="text" value="05/16/2017"/>	Vice President and Senior Counsel
By <input type="text" value="Richard S. Rudolph"/>	<input type="text"/>
(Name *)	

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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

Exhibit Sent As Paper Document

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**

Add Remove View

Exhibit Sent As Paper Document

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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) Miami International Securities Exchange, LLC (“MIAX Options” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend Exchange Rule 515A to reflect changes to the MIAX Options Price Improvement Mechanism (“PRIME”).

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 Options Board of Directors on December 8, 2016. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Richard S. Rudolph, Vice President and Senior Counsel, at (609) 897-1484.

**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 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism, to reflect new functionality to be

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

included in the PRIME process, as described below. The Exchange is also proposing certain clarifying technical amendments to the Rule.

### Background

MIAX PRIME is a price-improvement mechanism on the Exchange under which a Member<sup>3</sup> (“Initiating Member”) electronically submits an order that it represents as agent (an “Agency Order”) into a PRIME Auction (“Auction”). The Initiating Member, in submitting an Agency Order, must be willing to either (i) cross the Agency Order at a single price (a “single-price submission”) as principal, or (ii) automatically match (“auto-match”), as principal, the price and size of responses to a Request for Response (“RFR”) that is broadcast to MIAX Options participants up to an optional designated limit price. Such a response is known as an “RFR response.”<sup>4</sup> Members wishing to participate in the PRIME Auction may do so by submitting RFR responses during the RFR period (see below), which is currently 500 milliseconds.

### Multiple Auctions

The Exchange is proposing to amend Rule 515A(a)(2) to state that, as today, only one Auction may be ongoing at any given time in an option. The Exchange is proposing to modify

---

<sup>3</sup> 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 Act. See Exchange Rule 100.

<sup>4</sup> See Exchange Rule 515A(a)(2)(i). When the Exchange receives a properly designated Agency Order for auction processing, an RFR detailing the option, side, size, and initiating price will be sent to all subscribers of the Exchange’s data feeds. The RFR currently lasts for 500 milliseconds. Members may submit responses to the RFR (specifying prices and sizes). RFR responses shall be an Auction or Cancel (“AOC”) order or an AOC eQuote. Such responses cannot cross the disseminated MIAX Best Bid or Offer (“MBBO”) on the opposite side of the market from the response.

the rule to account for the trading of complex orders on the Exchange.<sup>5</sup> Specifically, Rule 515A(a)(2) will continue to state clearly that only one Auction may be ongoing at any given time in an option and Auctions in the same option may not queue or overlap in any manner. In addition, the Exchange proposes to amend the Rule by stating that the System<sup>6</sup> will reject an Agency Order if, at the time of receipt of the Agency Order, the option is in an Auction or is a component of a complex strategy<sup>7</sup> that is the subject of a Complex Auction pursuant to Rule 518(d). The Exchange believes that the rejection of Agency Orders that are received in an option in which an Auction or Complex Auction is ongoing ensures that there will not be any interference with the potential for price improvement for the Agency Order from one ongoing auction type to another.

The Exchange notes that the limitation against simultaneous ongoing Auctions and Complex Auctions applies to the specific option being auctioned. The term “option” in the Exchange’s rules refers to an individual put or call with a specific underlying security, strike price and expiration date. The Exchange defines a “series of options” as all option contracts of the same class having the same exercise price and expiration date.<sup>8</sup> Thus, a “series of options”

---

<sup>5</sup> See Exchange Rule 518. See also, Securities Exchange Act Release No. 79072(October 7, 2016), 81 FR 71131 (October 14, 2016)(SR-MIAX-2016-26).

<sup>6</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>7</sup> The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex order or by the Exchange for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time and will communicate this limitation to Members via Regulatory Circular. See Exchange Rule 518(a)(6).

<sup>8</sup> See Exchange Rule 100.

on MIAX Options includes both calls and puts overlying a security with the same strike price and the same expiration. The individual call or put in the series of options is the “option.”

For example, if an Auction or a Complex Auction involving XYZ July 20 calls is underway and ongoing at the time of receipt of an Agency Order in XYZ July 20 calls, the System will reject such Agency Order. The System will not, however, reject an Agency Order in XYZ October 20 calls, or in XYZ July 25 calls, for example, because the series being auctioned has a different strike price or expiration.<sup>9</sup>

The Exchange believes that, without such a limitation, investors could be faced with an unusually large number of simultaneous PRIME and/or Complex Auctions in the same option in the simple market, and in the same strategy in the complex market, which in turn could impact the orderly function of the markets. The Exchange believes that this limitation should ensure orderliness in the PRIME and Complex Auction process.

#### Rounding

The Exchange is proposing to adopt new Interpretations and Policies .10 to Rule 515A to establish in the rule text that, when determining the 40% or 50% Initiating Member allocation

---

<sup>9</sup> The Exchange notes that other exchanges also limit simultaneous auctions by “series,” which on other exchanges has the same meaning as “option” on MIAX Options. For example, Nasdaq ISE, LLC (“ISE”) Rule 723.04 states that only one Price Improvement Mechanism (“PIM”) may be ongoing at any given time in a “series.” PIMs will not queue or overlap in any manner. See ISE Rule 723.04. In another example, Chicago Board Options Exchange, Inc. (“CBOE”) Automated Improvement Mechanism (“AIM”) rules state that only one Auction may be ongoing at any given time in a “series” and Auctions in the same “series” may not queue or overlap in any manner. See CBOE Rule 6.74A(b). See also, NASDAQ PHLX LLC (“Phlx”) Rule 1080(n)(ii), which states that only one Auction may be conducted at a time in the same “series” or same strategy, otherwise the orders will be rejected. The use of the term “series” in these various exchanges’ rules is synonymous with the Exchange’s use of the term “option.”

under paragraphs (a)(2)(iii)(H) or (I), the System will round the number of contracts to which the Initiating Member is entitled to the nearest whole number (up or down). If the 40% or 50% Initiating Member allocation results in a remainder of exactly one-half contract (.50000), then the System will round the number of contracts to which the Initiating Member is entitled up to the next higher whole number. Other exchanges that allocate based on percentage amounts employ some form of “rounding.”<sup>10</sup>

The Exchange believes that the proposed rule change regarding rounding results in the fair and equitable allocation of contracts among PRIME participants, and provides clarity and transparency in the Exchange’s rules so that all MIAX PRIME Auction participants will be informed of their participation entitlements when submitting orders and responses into MIAX PRIME.

#### Allocation of Contracts at the Conclusion of the PRIME Auction

Currently, Exchange Rule 515A(a)(2)(iii) provides that at the conclusion of the Auction, the Agency Order will be allocated at the best price(s), subject to the following: (A) Such best

---

<sup>10</sup> For example, Phlx Rules provide that where the allocation of contracts results in remaining amounts, the number of contracts to be allocated shall be rounded down to the nearest integer. If rounding would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Member only if the Initiating Member did not otherwise receive an allocation. See Phlx Rule 1080(n)(ii)(E)(2)(f). This differs slightly from the instant proposal by the Exchange in that the System will round the number of contracts to which the Initiating Member is entitled to the nearest whole number (up or down). The Exchange also notes that NASDAQ BX, Inc. (“BX”), in a filing relating to its directed orders program, described a process for rounding that has the potential to result in an allocation that is slightly greater than their 40% or 50% entitlement for directed orders. See Securities Exchange Act Release No. 73784 (December 8, 2014), 79 FR 73930 (SR-BX-2014-049) (Notice of Filing of Proposed Rule Change Relating to Directed Market Makers). See also, Securities Exchange Act Release No. 74129 (January 23, 2015), 80 FR 4954 (January 29, 2015)(SR-BX-2014-049) (Order Approving Proposed Rule Change Relating to Directed Market Makers).

prices include non-Auction quotes and orders; (B) Priority Customer<sup>11</sup> orders resting on the Book<sup>12</sup> before, or that are received during, the Response Time Interval and Priority Customer RFR responses shall, collectively have first priority to trade against the Agency Order. The allocation of an Agency Order against the Priority Customer orders resting in the Book, Priority Customer orders received during the Response Time Interval, and Priority Customer RFR responses shall be in the sequence in which they are received by the System; (C) Market Maker priority quotes<sup>13</sup> and RFR responses from Market Makers<sup>14</sup> with priority quotes will collectively

---

<sup>11</sup> The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

<sup>12</sup> The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

<sup>13</sup> To be considered a priority quote, at the time of execution, each of the following standards must be met: (A) the bid/ask differential of a Market Maker’s two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Rule 603(b)(4)); (B) the initial size of both of the Market Maker’s bid and the offer must be in compliance with the requirements of Rule 604(b)(2); (C) the bid/ask differential of a Market Maker’s two-sided quote pair must meet the priority quote width requirements defined below in subparagraph (ii) for each option; and (D) either of the following are true: 1. At the time a locking or crossing quote or order enters the System, the Market Maker’s two-sided quote pair must be valid width for that option and must have been resting on the Book; or 2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote already existing (i.e., exclusive of the Market Maker’s new marketable quote or update) among his two-sided quotes for that option. See Exchange Rule 517(b)(1)(i).

<sup>14</sup> The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. The term “Lead Market Maker” means 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 the Exchange’s Rules with respect to Lead Market Makers. When a Lead Market Maker is appointed to act in the capacity of a Primary Lead Market Maker, the additional rights and responsibilities of a Primary Lead Market Maker specified in Chapter VI of the Exchange’s Rules will apply. The term “Primary Lead Market Maker” means 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



have second priority. The allocation of Agency Orders against these contra sided quotes and RFR responses shall be on a size pro rata basis as defined in Rule 514(c)(2); (D) Professional Interest orders resting in the Book, Professional Interest orders placed in the Book during the Response Time Interval, Professional Interest quotes, and Professional Interest RFR responses will collectively have third priority. The allocation of Agency Orders against these contra sided orders and RFR Responses shall be on a size pro rata basis as defined in Rule 514(c)(2); (E) No participation entitlement shall apply to orders executed pursuant to this Rule; (F) If an unrelated market or marketable limit order on the opposite side of the market as the Agency Order was received during the Auction and ended the Auction, such unrelated order shall trade against the Agency Order at the midpoint of the best RFR response (or in the absence of a RFR response, the initiating price) and the NBBO on the other side of the market from the RFR responses (rounded towards the disseminated quote when necessary). (G) If an unrelated non-marketable limit order on the opposite side of the market as the Agency Order was received during the Auction and ended the Auction, such unrelated order shall trade against the Agency Order at the midpoint of the best RFR response and the unrelated order's limit price (rounded towards the unrelated order's limit price when necessary).

Rules 515A(a)(2)(iii)(H) and (I) describe the allocation of contracts executed when the Initiating Member selects the single-price submission or the auto-match option, respectively, when submitting their Agency Order and there are either two or more participants at the

---

the Exchange. The Primary Lead Market Maker is vested with the rights and responsibilities specified in Chapter VI of the Exchange's Rules with respect to Primary Lead Market Makers. The term "Registered Market Maker" means 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 and is vested with the rights and responsibilities specified in Chapter VI of the Exchange's Rules with respect to Registered Market Makers. See Exchange Rule 100.

execution price or when there is only one other participant on parity with the Initiating Member at either the single price execution price or at the final auto-match price point.

The Exchange is proposing to modify the PRIME trade allocation rules with respect to determining the Initiating Member's entitlement percentage (either 40% or 50%) at the single price submission price and at the final auto-match price point, as applicable.

Exchange Rules 515A(a)(2)(iii)(H) and (I) currently state that, upon conclusion of an Auction, an Initiating Member will retain certain priority and trade allocation privileges for a single-price submission and for an auto-match submission. Under current Rule 515A(a)(2)(iii)(H), if the best price equals the Initiating Member's single-price submission, the Initiating Member's single-price submission shall be allocated the greater of one contract or a certain percentage of the order, which percentage will be determined by the Exchange and may not be larger than 40% of the Agency Order, subject to the rounding provisions of proposed Rule 515A, Interpretations and Policies .10 (described above). However, if only one Member's response, subject to the System's calculation of the number of Member's responses described in proposed Rule 515A, Interpretations and Policies .11 (described below) matches the Initiating Member's single price submission, then the Initiating Member may be allocated up to 50% of the Agency Order.

Similarly, current Exchange Rule 515A(a)(2)(iii)(I) provides that if the Initiating Member selected the auto-match option of the Auction, the Initiating Member shall be allocated its full size of RFR responses at each price point until the final auto-match price point is reached. At the final auto-match price point, the Initiating Member shall be allocated the greater of one contract or a certain percentage of the remainder of the Agency Order, which percentage will be determined by the Exchange and may not be larger than 40%, subject to the rounding provisions

of proposed Rule 515A, Interpretations and Policies .10 (described above). However, if only one Member's response, subject to the System's calculation of the number of Member's responses described in proposed Rule 515A, Interpretations and Policies .11 (described below) matches the Initiating Member's submission at the final auto-match price point, then the Initiating Member may be allocated up to 50% of the remainder of the Agency Order at the final auto-match price point.

At the conclusion of the Auction, the Agency Order is allocated at the best price(s) pursuant to the matching algorithm in effect for the class.<sup>15</sup> The System first must determine the number of participants that are entitled to receive contracts to be allocated, and whether any participant(s) such as Priority Customers are entitled to receive contracts first. Thereafter, contracts are allocated among participants at the execution price.

The Exchange is proposing to adopt Interpretations and Policies .11 to Rule 515A to state the basis on which the System will determine a Member's response to be a participant at the single price submission price and at the final auto-match price point in calculating the Initiating Member's entitlement at that price.<sup>16</sup> Specifically, when calculating the number of Members' responses that match the Initiating Member's single price submission under sub-paragraph (a)(2)(iii)(H) and the final auto-match price point under sub-paragraph (a)(2)(iii)(I) of Rule 515A, the System will not include in such calculation: (i) any Priority Customer Auction

---

<sup>15</sup> See Exchange Rule 515A(a)(2)(iii).

<sup>16</sup> The Exchange notes that under the NYSE MKT CUBE price improvement mechanism, if only the accompanying contra order and one other RFR response are eligible to trade at the CUBE execution price, each will receive a 50% allocation; otherwise, the accompanying contra order will receive a 40% guaranteed allocation unless more than 60% of the order is price improved by other participants (the accompanying contra will yield priority at a given price once the 40% entitlement is satisfied). See NYSE MKT CUBE Factsheet, <https://www.nyse.com/markets/amex-options>, Related Information, dated February 9, 2016 at p.2.

response and/or unrelated Priority Customer interest that has been executed, or (ii) any Member's response (including unrelated orders and quotes) executed at a better price.

Exchange Rule 515A(2)(iii)(B) explicitly states that Priority Customer orders resting on the Book before, or that are received during, the Response Time Interval and Priority Customer RFR responses shall, collectively, have first priority to trade against the Agency Order. Therefore, all Priority Customer Interest at the single price submission and at the final auto-match price point is executed first, after which other interest is allocated in accordance with Rule 515A(a)(2)(iii).

The Exchange is proposing to adopt Interpretations and Policies .11 to exclude from the number of responding participants remaining at those prices (i) Priority Customer RFR responses and/or unrelated Priority Customer interest that has already been executed, and (ii) any Member's response (including unrelated orders and quotes) executed at a better price. The purpose of this proposal is to calculate and establish the actual number of Auction participants that may be allocated contracts at a given price point. To include Priority Customer and other interest that have already received full executions and therefore cannot participate further in the allocation of contracts as part of the remaining participants at the execution price could artificially skew the entitlements of remaining participants at the next level(s) of priority established in Rule 515A(2)(iii). This is particularly true when there is only one remaining participant with the Initiating Member that could or would be entitled to receive contracts at the single price submission or at the final auto-match price point. The following examples illustrate this.

**EXAMPLE 1 – PRIORITY CUSTOMER INTEREST ALREADY EXECUTED,  
ONE PARTICIPANT WITH INITIATING MEMBER**

ABBO: 1.00-1.06  
MBBO: 1.00-1.06  
PRIME Order, Agency buy 20 contracts, Auction Start Price 1.05

Begin RFR Auction

During Auction, MM1 responds with an RFR response to sell 20 at 1.05  
Customer order to sell 5 at 1.05

At the end of the RFR period

Agency Order buys 5 from the Customer order at 1.05  
There is one remaining joining interest at 1.05 (MM1), so the contra receives 50% of the original size of the order, or 10 contracts, and MM1 receives the balance of 5 contracts<sup>17</sup>

**EXAMPLE 2- RESPONSES EXECUTED AT BETTER PRICES, ONE  
PARTICIPANT WITH INITIATING MEMBER**

ABBO: 1.00-1.06  
MBBO: 1.00-1.06  
PRIME Order, Agency buy 20 contracts, Auction Start Price 1.05

Begin RFR Auction

During Auction, MM1 responds with an RFR response to sell 20 at 1.05  
MM2 responds with an RFR response to sell to sell 5 at 1.04

At the end of the RFR period

Agency Order buys 5 from MM2 at 1.04  
There is one joining interest at 1.05 (MM1), so the contra receives 50% of the original size of the order, or 10 contracts, and MM1 receives the balance of 5 contracts<sup>18</sup>

---

<sup>17</sup> Under the current Rule, the result would be slightly different. The Agency Order would still buy 5 contracts from the Customer at \$1.05. However, although the Customer has sold all 5 contracts it offered at \$1.05, the current rule counts two remaining joining offers at 1.05 (MM1 and Customer) for the remaining 15 contracts, so the contra receives 40% of the original size of the order, or 8 contracts, and MM1 receives the balance of 7 contracts.

<sup>18</sup> Under the current Rule, just as in Example 1, the result would be slightly different. The

When more than one participant matches the Initiating Member at the single price submission and/or at the final auto-match price point, the Initiating Member is entitled to receive and is allocated the greater of one contract or a certain percentage of the remainder of the Agency Order, which percentage will be determined by the Exchange and may not be larger than 40%. Currently, in auto-match, in the situation where there is one remaining participant matching the Initiating Member at the final auto-match price point, the Initiating Member and the lone remaining participant are each entitled to 50% of the remaining contracts at that price (subject of course to their stated size). The proposal to include only the remaining participant after other participants have already received full executions at better prices ensures that the Initiating Participant, who has guaranteed the full execution at the single price submission or at the final auto-match price point, will receive its rightful 50% allocation. The Exchange believes that the proposed rule change rewards the Initiating Participant, who has absorbed the maximum risk in the PRIME Auction, by ensuring the 50% allocation entitlement when there is only one other participant matching the Initiating Member at the single price submission price or at the final auto-match price point. The Exchange believes that this provides an additional incentive for Initiating Members to submit Agency Orders for price improvement in MIAX PRIME.

#### Technical Amendments

The Exchange is proposing to capitalize the term “Agency Order” in Rule 515A(a)(2)(iii)(H) because the term is defined in Rule 515A(a) above. Additionally, the Exchange is proposing to add the word “or” to the first sentence of Rules 515A(a)(2)(iii)(H) and

---

Agency Order would buy 5 contracts from MM2 at \$1.04. However, although MM2 has sold all 5 contracts it offered at \$1.04, the current rule counts two remaining joining offers at 1.05 (MM1 and MM2) for the remaining 15 contracts, so the contra receives 40% of the original size of the order, or 8 contracts, and MM1 receives the balance of 7 contracts.

(I), respectfully, for grammatical correctness. These proposed technical amendments are intended for clarity and ease of reference.

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.

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>19</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>20</sup> 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 further believes the proposed rule change is consistent with the Section 6(b)(5)<sup>21</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed amendment to Rule 515A(a)(2) stating that only one Auction or Complex Auction may be ongoing at any given time in an option and/or in a complex strategy in which that option is a component, and Auctions and Complex

---

<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> Id.

Auctions involving the same option may not queue or overlap in any manner, is consistent with the Act. The Exchange believes that, without such a limitation, investors could be faced with an unusually large number of simultaneous PRIME and/or Complex Auctions in the same option in the simple market, and in the same strategy in the complex market, which in turn could impact the orderly function of the markets. The Exchange believes that this limitation is consistent with the Act because it is designed to remove impediments to and perfect the mechanisms of a free and open market and a national market system by ensuring orderliness in the PRIME and Complex Auction process on the Exchange.

The Exchange believes that the proposed rule change relating to rounding removes impediments to and perfects the mechanisms of a free and open market and a national market system by adopting rules that are consistent with industry practices. As stated above, BX, in a filing relating to its directed orders program, described a process for rounding that has the potential to result in an allocation that is slightly greater than their 40% or 50% entitlement for directed orders.<sup>22</sup> The Exchange believes that this supports its proposal to adopt Proposed Interpretations and Policies .10 with respect to rounding a remainder of exactly one-half contract (.50000) up to the next higher whole number.

The Exchange further believes the proposed rule change protects investors and is in the public interest because it fairly allocates the PRIME Agency Order in a manner that rewards Initiating Members who submit PRIME Agency Orders and guarantee price improvement for the entire Agency Order. The allocation of 50% of the contracts to the Initiating Member when there is only one remaining participant that matches the initiating Member's single price submission price or final auto-match price point should provide greater incentive to Initiating

---

<sup>22</sup> See supra note 10.



Members to submit Agency Orders for price improvement in the PRIME auction. The result of a greater number of Agency Orders submitted to PRIME is a benefit to the MIAX Options markets and the marketplace as a whole because it enriches liquidity on the Exchange at the NBBO, providing investors with greater opportunities for executions at the NBBO and beyond at improved prices through MIAX PRIME.

The Exchange also believes that the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system by attracting more order flow and by increasing the frequency with which Initiating Members initiate Auctions through PRIME. Moreover, the proposed rule change is consistent with the rules and proposals of other exchanges.<sup>23</sup>

Additionally, the Exchange believes that the proposed technical clarifying and definitional amendments to Rule 515A will benefit market participants by enhancing transparency, clarity and ease of reference to the rules.

#### **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 proposed changes and their effect on trade allocations in MIAX PRIME are meant to more fairly allocate an Agency Order submitted for price improvement at the single price submission price or at the final auto-match price point. The Exchange believes that the allocation of 50% of the remainder of the Agency Order to the Initiating Member when there is only one non-Priority Customer response that will trade at the execution price should in fact enhance competition by encouraging more Initiating Members to submit Agency Orders to

---

<sup>23</sup> See supra notes 9, 10, 16 and infra notes 26 and 27.

MIAX Options for price improvement via MIAX PRIME, which should benefit investors by attracting more order flow as well as increasing the frequency with which Initiating Members submit Agency Orders into the PRIME Auction. This should result in enhanced liquidity and more competition on the Exchange.

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.

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

No written comments were either solicited or received.

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<sup>24</sup> and Rule 19b-4(f)(6)<sup>25</sup> 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.

The Exchange does not believe that the proposed rule change raises any novel or unique substantive issues. Additionally, the Exchange's filing is substantially similar in all material

---

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(6).

respects to, and consistent with, similar rules and/or practices currently effective on other competing options exchanges. Specifically, the Exchange notes that other exchanges maintain the same prohibition against simultaneous Auctions in the same option as the proposed amendment to Rule 515A(a)(2) stating that only one Auction or Complex Auction may be ongoing at any given time in an option and/or in a complex strategy in which that option is a component, and Auctions and Complex Auctions involving the same option may not queue or overlap in any manner.<sup>26</sup>

The Exchange further notes that under the NYSE MKT CUBE price improvement mechanism, if only the accompanying contra order and one other RFR response are eligible to trade at the CUBE execution price, each will receive a 50% allocation; otherwise, the accompanying contra order will receive a 40% guaranteed allocation unless more than 60% of the order is price improved by other participants (the accompanying contra will yield priority at a given price once the 40% entitlement is satisfied).<sup>27</sup> Similarly, the Exchange's proposal is to count those responses that are "eligible to trade," at the execution price. Accordingly, the Exchange believes that the proposed rule change is eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

With respect to rounding, Phlx Rules differ slightly from the instant proposal in that the MIAX Options System will round the number of contracts to which the Initiating Member is entitled to the nearest whole number (up or down),<sup>28</sup> whereas Phlx Rules provide that where the allocation of contracts results in remaining amounts, the number of contracts to be allocated shall

---

<sup>26</sup> See supra note 9.

<sup>27</sup> See NYSE MKT CUBE Factsheet, <https://www.nyse.com/markets/amex-options>, Related Information, dated February 9, 2016 at p.2.

<sup>28</sup> See supra note 10.

be rounded down to the nearest integer. If rounding would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Member only if the Initiating Member did not otherwise receive an allocation.<sup>29</sup>

The Exchange also notes that BX, in a filing relating to its directed orders program, described a process for rounding that has the potential to result in an allocation that is slightly greater than their 40% or 50% entitlement for directed orders.<sup>30</sup> The Exchange believes that this supports its proposal to adopt Proposed Interpretations and Policies .10 with respect to rounding a remainder of exactly one-half contract (.50000) up to the next higher whole number.

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.

MIAX Options has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>31</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)<sup>32</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

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.

---

<sup>29</sup> Id.

<sup>30</sup> Id.

<sup>31</sup> 17 CFR 240.19b-4(f)(6).

<sup>32</sup> 17 CFR 240.19b-4(f)(6).

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

The proposed rule change is based in part on the rules of other competing options exchanges.<sup>33</sup> As noted above, the Exchange's proposal differs slightly with respect to the calculation of the number of responding participants that are entitled to receive allocations at each PRIME Auction price point,<sup>34</sup> rounding,<sup>35</sup> and the definition of "series."<sup>36</sup>

**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.

---

<sup>33</sup> See supra notes 9, 10, 16, 26 and 27.

<sup>34</sup> See supra notes 16, 27.

<sup>35</sup> See supra note 10.

<sup>36</sup> See supra note 9.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-MIAX-2017-22)

May \_\_, 2017

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Amend MIAX Options Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 17, 2017, Miami International Securities Exchange, LLC (“MIAX Options” 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 515A to reflect changes to the MIAX Options Price Improvement Mechanism (“PRIME”).

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings>, 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

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism, to reflect new functionality to be included in the PRIME process, as described below. The Exchange is also proposing certain clarifying technical amendments to the Rule.

Background

MIAX PRIME is a price-improvement mechanism on the Exchange under which a Member<sup>3</sup> (“Initiating Member”) electronically submits an order that it represents as agent (an “Agency Order”) into a PRIME Auction (“Auction”). The Initiating Member, in submitting an Agency Order, must be willing to either (i) cross the Agency Order at a single price (a “single-price submission”) as principal, or (ii) automatically match (“auto-match”), as principal, the price and size of responses to a Request for Response (“RFR”) that is broadcast to MIAX Options participants up to an optional designated limit price. Such a response is known as an “RFR response.”<sup>4</sup> Members wishing to participate in the PRIME Auction may do so by

---

<sup>3</sup> 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 Act. See Exchange Rule 100.

<sup>4</sup> See Exchange Rule 515A(a)(2)(i). When the Exchange receives a properly designated Agency Order for auction processing, an RFR detailing the option, side, size, and initiating price will be sent to all subscribers of the Exchange’s data feeds. The RFR currently lasts for 500 milliseconds. Members may submit responses to the RFR (specifying prices and sizes). RFR responses shall be an Auction or Cancel (“AOC”)

submitting RFR responses during the RFR period (see below), which is currently 500 milliseconds.

### Multiple Auctions

The Exchange is proposing to amend Rule 515A(a)(2) to state that, as today, only one Auction may be ongoing at any given time in an option. The Exchange is proposing to modify the rule to account for the trading of complex orders on the Exchange.<sup>5</sup> Specifically, Rule 515A(a)(2) will continue to state clearly that only one Auction may be ongoing at any given time in an option and Auctions in the same option may not queue or overlap in any manner. In addition, the Exchange proposes to amend the Rule by stating that the System<sup>6</sup> will reject an Agency Order if, at the time of receipt of the Agency Order, the option is in an Auction or is a component of a complex strategy<sup>7</sup> that is the subject of a Complex Auction pursuant to Rule 518(d). The Exchange believes that the rejection of Agency Orders that are received in an option in which an Auction or Complex Auction is ongoing ensures that there will not be any interference with the potential for price improvement for the Agency Order from one ongoing auction type to another.

The Exchange notes that the limitation against simultaneous ongoing Auctions and Complex Auctions applies to the specific option being auctioned. The term “option” in the

---

order or an AOC eQuote. Such responses cannot cross the disseminated MIAX Best Bid or Offer (“MBBO”) on the opposite side of the market from the response.

<sup>5</sup> See Exchange Rule 518. See also, Securities Exchange Act Release No. 79072(October 7, 2016), 81 FR 71131 (October 14, 2016)(SR-MIAX-2016-26).

<sup>6</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>7</sup> The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex order or by the Exchange for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time and will communicate this limitation to Members via Regulatory Circular. See Exchange Rule 518(a)(6).



Exchange's rules refers to an individual put or call with a specific underlying security, strike price and expiration date. The Exchange defines a "series of options" as all option contracts of the same class having the same exercise price and expiration date.<sup>8</sup> Thus, a "series of options" on MIAX Options includes both calls and puts overlying a security with the same strike price and the same expiration. The individual call or put in the series of options is the "option."

For example, if an Auction or a Complex Auction involving XYZ July 20 calls is underway and ongoing at the time of receipt of an Agency Order in XYZ July 20 calls, the System will reject such Agency Order. The System will not, however, reject an Agency Order in XYZ October 20 calls, or in XYZ July 25 calls, for example, because the series being auctioned has a different strike price or expiration.<sup>9</sup>

The Exchange believes that, without such a limitation, investors could be faced with an unusually large number of simultaneous PRIME and/or Complex Auctions in the same option in the simple market, and in the same strategy in the complex market, which in turn could impact the orderly function of the markets. The Exchange believes that this limitation should ensure orderliness in the PRIME and Complex Auction process.

---

<sup>8</sup> See Exchange Rule 100.

<sup>9</sup> The Exchange notes that other exchanges also limit simultaneous auctions by "series," which on other exchanges has the same meaning as "option" on MIAX Options. For example, Nasdaq ISE, LLC ("ISE") Rule 723.04 states that only one Price Improvement Mechanism ("PIM") may be ongoing at any given time in a "series." PIMs will not queue or overlap in any manner. See ISE Rule 723.04. In another example, Chicago Board Options Exchange, Inc. ("CBOE") Automated Improvement Mechanism ("AIM") rules state that only one Auction may be ongoing at any given time in a "series" and Auctions in the same "series" may not queue or overlap in any manner. See CBOE Rule 6.74A(b). See also, NASDAQ PHLX LLC ("Phlx") Rule 1080(n)(ii), which states that only one Auction may be conducted at a time in the same "series" or same strategy, otherwise the orders will be rejected. The use of the term "series" in these various exchanges' rules is synonymous with the Exchange's use of the term "option."

### Rounding

The Exchange is proposing to adopt new Interpretations and Policies .10 to Rule 515A to establish in the rule text that, when determining the 40% or 50% Initiating Member allocation under paragraphs (a)(2)(iii)(H) or (I), the System will round the number of contracts to which the Initiating Member is entitled to the nearest whole number (up or down). If the 40% or 50% Initiating Member allocation results in a remainder of exactly one-half contract (.50000), then the System will round the number of contracts to which the Initiating Member is entitled up to the next higher whole number. Other exchanges that allocate based on percentage amounts employ some form of “rounding.”<sup>10</sup>

The Exchange believes that the proposed rule change regarding rounding results in the fair and equitable allocation of contracts among PRIME participants, and provides clarity and transparency in the Exchange’s rules so that all MIAX PRIME Auction participants will be informed of their participation entitlements when submitting orders and responses into MIAX PRIME.

---

<sup>10</sup> For example, Phlx Rules provide that where the allocation of contracts results in remaining amounts, the number of contracts to be allocated shall be rounded down to the nearest integer. If rounding would result in an allocation of less than one contract, then one contract will be allocated to the Initiating Member only if the Initiating Member did not otherwise receive an allocation. See Phlx Rule 1080(n)(ii)(E)(2)(f). This differs slightly from the instant proposal by the Exchange in that the System will round the number of contracts to which the Initiating Member is entitled to the nearest whole number (up or down). The Exchange also notes that NASDAQ BX, Inc. (“BX”), in a filing relating to its directed orders program, described a process for rounding that has the potential to result in an allocation that is slightly greater than their 40% or 50% entitlement for directed orders. See Securities Exchange Act Release No. 73784 (December 8, 2014), 79 FR 73930 (SR-BX-2014-049) (Notice of Filing of Proposed Rule Change Relating to Directed Market Makers). See also, Securities Exchange Act Release No. 74129 (January 23, 2015), 80 FR 4954 (January 29, 2015)(SR-BX-2014-049) (Order Approving Proposed Rule Change Relating to Directed Market Makers).

Allocation of Contracts at the Conclusion of the PRIME Auction

Currently, Exchange Rule 515A(a)(2)(iii) provides that at the conclusion of the Auction, the Agency Order will be allocated at the best price(s), subject to the following: (A) Such best prices include non-Auction quotes and orders; (B) Priority Customer<sup>11</sup> orders resting on the Book<sup>12</sup> before, or that are received during, the Response Time Interval and Priority Customer RFR responses shall, collectively have first priority to trade against the Agency Order. The allocation of an Agency Order against the Priority Customer orders resting in the Book, Priority Customer orders received during the Response Time Interval, and Priority Customer RFR responses shall be in the sequence in which they are received by the System; (C) Market Maker priority quotes<sup>13</sup> and RFR responses from Market Makers<sup>14</sup> with priority quotes will collectively

---

<sup>11</sup> The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

<sup>12</sup> The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

<sup>13</sup> To be considered a priority quote, at the time of execution, each of the following standards must be met: (A) the bid/ask differential of a Market Maker’s two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Rule 603(b)(4)); (B) the initial size of both of the Market Maker’s bid and the offer must be in compliance with the requirements of Rule 604(b)(2); (C) the bid/ask differential of a Market Maker’s two-sided quote pair must meet the priority quote width requirements defined below in subparagraph (ii) for each option; and (D) either of the following are true: 1. At the time a locking or crossing quote or order enters the System, the Market Maker’s two-sided quote pair must be valid width for that option and must have been resting on the Book; or 2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote already existing (i.e., exclusive of the Market Maker’s new marketable quote or update) among his two-sided quotes for that option. See Exchange Rule 517(b)(1)(i).

<sup>14</sup> The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. The term “Lead Market Maker” means 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 the Exchange’s Rules with respect to Lead Market Makers. When a Lead Market Maker is appointed to act in the capacity of a Primary Lead Market

have second priority. The allocation of Agency Orders against these contra sided quotes and RFR responses shall be on a size pro rata basis as defined in Rule 514(c)(2); (D) Professional Interest orders resting in the Book, Professional Interest orders placed in the Book during the Response Time Interval, Professional Interest quotes, and Professional Interest RFR responses will collectively have third priority. The allocation of Agency Orders against these contra sided orders and RFR Responses shall be on a size pro rata basis as defined in Rule 514(c)(2); (E) No participation entitlement shall apply to orders executed pursuant to this Rule; (F) If an unrelated market or marketable limit order on the opposite side of the market as the Agency Order was received during the Auction and ended the Auction, such unrelated order shall trade against the Agency Order at the midpoint of the best RFR response (or in the absence of a RFR response, the initiating price) and the NBBO on the other side of the market from the RFR responses (rounded towards the disseminated quote when necessary). (G) If an unrelated non-marketable limit order on the opposite side of the market as the Agency Order was received during the Auction and ended the Auction, such unrelated order shall trade against the Agency Order at the midpoint of the best RFR response and the unrelated order's limit price (rounded towards the unrelated order's limit price when necessary).

Rules 515A(a)(2)(iii)(H) and (I) describe the allocation of contracts executed when the Initiating Member selects the single-price submission or the auto-match option, respectively,

---

Maker, the additional rights and responsibilities of a Primary Lead Market Maker specified in Chapter VI of the Exchange's Rules will apply. The term "Primary Lead Market Maker" means 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. The Primary Lead Market Maker is vested with the rights and responsibilities specified in Chapter VI of the Exchange's Rules with respect to Primary Lead Market Makers. The term "Registered Market Maker" means 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 and is vested with the rights and responsibilities specified in Chapter VI of the Exchange's Rules with respect to Registered Market Makers. See Exchange Rule 100.

when submitting their Agency Order and there are either two or more participants at the execution price or when there is only one other participant on parity with the Initiating Member at either the single price execution price or at the final auto-match price point.

The Exchange is proposing to modify the PRIME trade allocation rules with respect to determining the Initiating Member's entitlement percentage (either 40% or 50%) at the single price submission price and at the final auto-match price point, as applicable.

Exchange Rules 515A(a)(2)(iii)(H) and (I) currently state that, upon conclusion of an Auction, an Initiating Member will retain certain priority and trade allocation privileges for a single-price submission and for an auto-match submission. Under current Rule 515A(a)(2)(iii)(H), if the best price equals the Initiating Member's single-price submission, the Initiating Member's single-price submission shall be allocated the greater of one contract or a certain percentage of the order, which percentage will be determined by the Exchange and may not be larger than 40% of the Agency Order, subject to the rounding provisions of proposed Rule 515A, Interpretations and Policies .10 (described above). However, if only one Member's response, subject to the System's calculation of the number of Member's responses described in proposed Rule 515A, Interpretations and Policies .11 (described below) matches the Initiating Member's single price submission, then the Initiating Member may be allocated up to 50% of the Agency Order.

Similarly, current Exchange Rule 515A(a)(2)(iii)(I) provides that if the Initiating Member selected the auto-match option of the Auction, the Initiating Member shall be allocated its full size of RFR responses at each price point until the final auto-match price point is reached. At the final auto-match price point, the Initiating Member shall be allocated the greater of one contract or a certain percentage of the remainder of the Agency Order, which percentage will be determined by the Exchange and may not be larger than 40%, subject to the rounding provisions

of proposed Rule 515A, Interpretations and Policies .10 (described above). However, if only one Member's response, subject to the System's calculation of the number of Member's responses described in proposed Rule 515A, Interpretations and Policies .11 (described below) matches the Initiating Member's submission at the final auto-match price point, then the Initiating Member may be allocated up to 50% of the remainder of the Agency Order at the final auto-match price point.

At the conclusion of the Auction, the Agency Order is allocated at the best price(s) pursuant to the matching algorithm in effect for the class.<sup>15</sup> The System first must determine the number of participants that are entitled to receive contracts to be allocated, and whether any participant(s) such as Priority Customers are entitled to receive contracts first. Thereafter, contracts are allocated among participants at the execution price.

The Exchange is proposing to adopt Interpretations and Policies .11 to Rule 515A to state the basis on which the System will determine a Member's response to be a participant at the single price submission price and at the final auto-match price point in calculating the Initiating Member's entitlement at that price.<sup>16</sup> Specifically, when calculating the number of Members' responses that match the Initiating Member's single price submission under sub-paragraph (a)(2)(iii)(H) and the final auto-match price point under sub-paragraph (a)(2)(iii)(I) of Rule 515A, the System will not include in such calculation: (i) any Priority Customer Auction

---

<sup>15</sup> See Exchange Rule 515A(a)(2)(iii).

<sup>16</sup> The Exchange notes that under the NYSE MKT CUBE price improvement mechanism, if only the accompanying contra order and one other RFR response are eligible to trade at the CUBE execution price, each will receive a 50% allocation; otherwise, the accompanying contra order will receive a 40% guaranteed allocation unless more than 60% of the order is price improved by other participants (the accompanying contra will yield priority at a given price once the 40% entitlement is satisfied). See NYSE MKT CUBE Factsheet, <https://www.nyse.com/markets/amex-options> , Related Information, dated February 9, 2016 at p.2.

response and/or unrelated Priority Customer interest that has been executed, or (ii) any Member's response (including unrelated orders and quotes) executed at a better price.

Exchange Rule 515A(2)(iii)(B) explicitly states that Priority Customer orders resting on the Book before, or that are received during, the Response Time Interval and Priority Customer RFR responses shall, collectively, have first priority to trade against the Agency Order. Therefore, all Priority Customer Interest at the single price submission and at the final auto-match price point is executed first, after which other interest is allocated in accordance with Rule 515A(a)(2)(iii).

The Exchange is proposing to adopt Interpretations and Policies .11 to exclude from the number of responding participants remaining at those prices (i) Priority Customer RFR responses and/or unrelated Priority Customer interest that has already been executed, and (ii) any Member's response (including unrelated orders and quotes) executed at a better price. The purpose of this proposal is to calculate and establish the actual number of Auction participants that may be allocated contracts at a given price point. To include Priority Customer and other interest that have already received full executions and therefore cannot participate further in the allocation of contracts as part of the remaining participants at the execution price could artificially skew the entitlements of remaining participants at the next level(s) of priority established in Rule 515A(2)(iii). This is particularly true when there is only one remaining participant with the Initiating Member that could or would be entitled to receive contracts at the single price submission or at the final auto-match price point. The following examples illustrate this.

**EXAMPLE 1 – PRIORITY CUSTOMER INTEREST ALREADY EXECUTED, ONE PARTICIPANT WITH INITIATING MEMBER**

ABBO: 1.00-1.06  
 MBBO: 1.00-1.06  
 PRIME Order, Agency buy 20 contracts, Auction Start Price 1.05

Begin RFR Auction

During Auction, MM1 responds with an RFR response to sell 20 at 1.05  
 Customer order to sell 5 at 1.05

At the end of the RFR period

Agency Order buys 5 from the Customer order at 1.05  
 There is one remaining joining interest at 1.05 (MM1), so the contra receives 50% of the original size of the order, or 10 contracts, and MM1 receives the balance of 5 contracts<sup>17</sup>

**EXAMPLE 2- RESPONSES EXECUTED AT BETTER PRICES, ONE PARTICIPANT WITH INITIATING MEMBER**

ABBO: 1.00-1.06  
 MBBO: 1.00-1.06  
 PRIME Order, Agency buy 20 contracts, Auction Start Price 1.05

Begin RFR Auction

During Auction, MM1 responds with an RFR response to sell 20 at 1.05  
 MM2 responds with an RFR response to sell to sell 5 at 1.04

At the end of the RFR period

Agency Order buys 5 from MM2 at 1.04  
 There is one joining interest at 1.05 (MM1), so the contra receives 50% of the original size of the order, or 10 contracts, and MM1 receives the balance of 5 contracts<sup>18</sup>

---

<sup>17</sup> Under the current Rule, the result would be slightly different. The Agency Order would still buy 5 contracts from the Customer at \$1.05. However, although the Customer has sold all 5 contracts it offered at \$1.05, the current rule counts two remaining joining offers at 1.05 (MM1 and Customer) for the remaining 15 contracts, so the contra receives 40% of the original size of the order, or 8 contracts, and MM1 receives the balance of 7 contracts.

<sup>18</sup> Under the current Rule, just as in Example 1, the result would be slightly different. The Agency Order would buy 5 contracts from MM2 at \$1.04. However, although MM2 has sold all 5 contracts it offered at \$1.04, the current rule counts two remaining joining



When more than one participant matches the Initiating Member at the single price submission and/or at the final auto-match price point, the Initiating Member is entitled to receive and is allocated the greater of one contract or a certain percentage of the remainder of the Agency Order, which percentage will be determined by the Exchange and may not be larger than 40%. Currently, in auto-match, in the situation where there is one remaining participant matching the Initiating Member at the final auto-match price point, the Initiating Member and the lone remaining participant are each entitled to 50% of the remaining contracts at that price (subject of course to their stated size). The proposal to include only the remaining participant after other participants have already received full executions at better prices ensures that the Initiating Participant, who has guaranteed the full execution at the single price submission or at the final auto-match price point, will receive its rightful 50% allocation. The Exchange believes that the proposed rule change rewards the Initiating Participant, who has absorbed the maximum risk in the PRIME Auction, by ensuring the 50% allocation entitlement when there is only one other participant matching the Initiating Member at the single price submission price or at the final auto-match price point. The Exchange believes that this provides an additional incentive for Initiating Members to submit Agency Orders for price improvement in MIAX PRIME.

#### Technical Amendments

The Exchange is proposing to capitalize the term “Agency Order” in Rule 515A(a)(2)(iii)(H) because the term is defined in Rule 515A(a) above. Additionally, the Exchange is proposing to add the word “or” to the first sentence of Rules 515A(a)(2)(iii)(H) and (I), respectfully, for grammatical correctness. These proposed technical amendments are intended for clarity and ease of reference.

---

offers at 1.05 (MM1 and MM2) for the remaining 15 contracts, so the contra receives 40% of the original size of the order, or 8 contracts, and MM1 receives the balance of 7 contracts.

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.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>19</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>20</sup> 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 further believes the proposed rule change is consistent with the Section 6(b)(5)<sup>21</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed amendment to Rule 515A(a)(2) stating that only one Auction or Complex Auction may be ongoing at any given time in an option and/or in a complex strategy in which that option is a component, and Auctions and Complex Auctions involving the same option may not queue or overlap in any manner, is consistent with the Act. The Exchange believes that, without such a limitation, investors could be faced with an unusually large number of simultaneous PRIME and/or Complex Auctions in the same option in

---

<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> Id.

the simple market, and in the same strategy in the complex market, which in turn could impact the orderly function of the markets. The Exchange believes that this limitation is consistent with the Act because it is designed to remove impediments to and perfect the mechanisms of a free and open market and a national market system by ensuring orderliness in the PRIME and Complex Auction process on the Exchange.

The Exchange believes that the proposed rule change relating to rounding removes impediments to and perfects the mechanisms of a free and open market and a national market system by adopting rules that are consistent with industry practices. As stated above, BX, in a filing relating to its directed orders program, described a process for rounding that has the potential to result in an allocation that is slightly greater than their 40% or 50% entitlement for directed orders.<sup>22</sup> The Exchange believes that this supports its proposal to adopt Proposed Interpretations and Policies .10 with respect to rounding a remainder of exactly one-half contract (.50000) up to the next higher whole number.

The Exchange further believes the proposed rule change protects investors and is in the public interest because it fairly allocates the PRIME Agency Order in a manner that rewards Initiating Members who submit PRIME Agency Orders and guarantee price improvement for the entire Agency Order. The allocation of 50% of the contracts to the Initiating Member when there is only one remaining participant that matches the initiating Member's single price submission price or final auto-match price point should provide greater incentive to Initiating Members to submit Agency Orders for price improvement in the PRIME auction. The result of a greater number of Agency Orders submitted to PRIME is a benefit to the MIAX Options markets and the marketplace as a whole because it enriches liquidity on the Exchange at the NBBO,

---

<sup>22</sup> See supra note 10.

providing investors with greater opportunities for executions at the NBBO and beyond at improved prices through MIAX PRIME.

The Exchange also believes that the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system by attracting more order flow and by increasing the frequency with which Initiating Members initiate Auctions through PRIME. Moreover, the proposed rule change is consistent with the rules and proposals of other exchanges.<sup>23</sup>

Additionally, the Exchange believes that the proposed technical clarifying and definitional amendments to Rule 515A will benefit market participants by enhancing transparency, clarity and ease of reference to the rules.

**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 proposed changes and their effect on trade allocations in MIAX PRIME are meant to more fairly allocate an Agency Order submitted for price improvement at the single price submission price or at the final auto-match price point. The Exchange believes that the allocation of 50% of the remainder of the Agency Order to the Initiating Member when there is only one non-Priority Customer response that will trade at the execution price should in fact enhance competition by encouraging more Initiating Members to submit Agency Orders to MIAX Options for price improvement via MIAX PRIME, which should benefit investors by attracting more order flow as well as increasing the frequency with which Initiating Members submit Agency Orders into the PRIME Auction. This should result in enhanced liquidity and more competition on the Exchange.

---

<sup>23</sup> See supra notes 9, 10, 16 and infra notes 26 and 27.

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<sup>24</sup> and Rule 19b-4(f)(6)<sup>25</sup> 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.

---

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 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.

#### 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](mailto:to-rule-comments@sec.gov). Please include File Number SR-MIAX-2017-22 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-MIAX-2017-22. 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-MIAX-2017-22 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

Brent J. Fields  
Secretary

---

<sup>26</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

New text is underlined;  
Deleted text is in [brackets]

**MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC Rules**

\*\*\*\*\*

**Rule 515A. MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism**

(a) **Price Improvement Mechanism (“PRIME”).** PRIME 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.

(1) No change.

(2) **Auction Process.** Only one Auction may be ongoing at any given time in an option and Auctions in the same option may not queue or overlap in any manner. The System will reject an Agency Order if, at the time of receipt of the Agency Order, the option is in an Auction or is a component of a complex strategy that is the subject of a Complex Auction pursuant to Rule 518(d). The Auction may not be cancelled and shall proceed as follows:

(i) No change.

(ii) No change.

(iii) **Order Allocation.** At the conclusion of the Auction, the Agency Order will be allocated at the best price(s) pursuant to the matching algorithm in effect for the class subject to the following:

(A) – (G) No change.

(H) Notwithstanding (a)(2)(iii)(C), or (D) above, if the best price equals the Initiating Member's single-price submission, the Initiating Member's single-price submission shall be allocated the greater of one contract or a certain percentage of the Agency [o]Order, which percentage will be determined by the Exchange and may not be larger than 40%, subject to the provisions of Interpretations and Policies .10 below. However, if only one Member's response (subject to the provisions of Interpretations and Policies .11 below) matches the Initiating Member's single price submission then the Initiating Member may be allocated up to 50% of the Agency Order, subject the provisions of Interpretations and Policies .10 below. Thereafter, contracts shall be allocated among remaining quotes, orders and auction responses (i.e. interests other than the Initiating Member) at the single price submission price in accordance with the matching algorithm in effect for the affected class as described in sub-paragraph (a)(2)(iii) above. If all Member responses are filled (i.e., no other interest remains at the single-



price submission price), any remaining contracts will be allocated to the Initiating Member at the single-price submission price.

(I) Notwithstanding (a)(2)(iii)(C), or (D) above, if the Initiating Member selected the auto-match option of the Auction, the Initiating Member shall be allocated its full size of RFR responses at each price point up to the designated limit price or until a price point is reached where the balance of the Agency Order can be fully executed (the “final auto-match price point”). At the final auto-match price point, the Initiating Member shall be allocated the greater of one contract or a certain percentage of the remainder of the Agency Order, which percentage will be determined by the Exchange and may not be larger than 40%, subject the provisions of Interpretations and Policies .10 below. However, if only one Member’s response (subject to the provisions of Interpretations and Policies .11 below) matches the Initiating Member's submission at the final auto-match price point, then the Initiating Member may be allocated up to 50% of the remainder of the Agency Order at the final auto-match price point, subject the provisions of Interpretations and Policies .10 below. Thereafter, contracts shall be allocated among remaining quotes, orders and auction responses (i.e., interest other than the Initiating Member) at the final auto-match price point in accordance with the matching algorithm in effect for the affected class as described in sub-paragraph (a)(2)(iii) above. If all Member responses are filled (i.e., no other interest remains), any remaining contracts will be allocated to the Initiating Member at the designated limit price described in sub-paragraph (a)(2)(i)(A) above.

(J)- (M) No change.

(b) No change.

#### **Interpretations and Policies:**

.01 - .09 No change.

.10 [Reserved] When determining the 40% or 50% Initiating Member allocation under sub-paragraph (a)(2)(iii)(H) or (I) above, the System will round the number of contracts to which the Initiating Member is entitled to the nearest whole number (up or down). If the allocation results in a remainder of exactly one-half contract (.50000), then the System will round the number of contracts to which the Initiating Member is entitled up to the next higher whole number.

.11 [Reserved] When calculating the number of Member’s responses that match the Initiating Member’s single price submission under sub-paragraph (a)(2)(iii)(H) and the final auto-match price point under sub-paragraph (a)(2)(iii)(I) of this Rule, the System will not include in such calculation: (i) any Priority Customer Auction Response and/or unrelated Priority Customer interest that has been executed, or (ii) any Member’s response (including unrelated orders and quotes) executed at a better price.

.12 No change.

\*\*\*\*\*