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

File No.* SR - 2018 - * 16
Amendment No. (req. for Amendments *)

Filing by Miami International Securities Exchange, LLC.

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

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

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

Rule

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

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

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

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

Amend Exchange Rule 518

Contact Information

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

First Name * Gregory
Last Name * Ziegler
Title * Associate Counsel
E-mail * gziegler@miaxoptions.com
Telephone * (609) 897-1483
Fax

Signature

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

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

Date 07/16/2018

By Gregory P. Ziegler
(Name *)

(Title *)
Associate Counsel

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

gziegler@miaxoptions.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 the "Exchange"), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act" or the "Exchange Act"),[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission (the "Commission") a proposal to amend Exchange Rule 518, Complex Orders, to update its rule text regarding stock-option orders, in connection with the upcoming launch of such orders on the Exchange.

A 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 7, 2017. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority.

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

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

2 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Exchange Rule 518, Complex Orders, to update its rule text regarding stock-option orders, in connection with the upcoming launch of such orders on the Exchange. In particular, the Exchange is proposing to (i) adopt new rule text to introduce a new price protection feature for certain stock-option strategies, (ii) delete certain existing rule text to eliminate an unnecessary execution price restriction for the stock component of a stock-option strategy, and (iii) make certain minor clarifying edits to existing rule text.

Complex orders began trading on the Exchange on October 24, 2016.[3] In its rule filing to establish the trading of complex orders, the Exchange adopted rules for handling stock-option orders.[4] The Exchange also indicated that it would determine when stock-option orders would be made available for trading in the System[5] and would communicate such determination to Members[6] via Regulatory Circular.[7] The Exchange is now proposing to make certain changes to its rule text, in connection with the upcoming launch of such orders on the Exchange, which is scheduled for the third quarter of 2018.

3 See MIAX Regulatory Circular 2016-43, October 20, 2016.

4 See Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR-MIAX-2016-26).

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

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

7 See supra note 4.

Currently, the Exchange provides price protection for certain complex option trading strategies such as Vertical Spreads[8] and Calendar Spreads[9] to prevent executions at potentially erroneous prices. Specifically, the Exchange provides a Vertical Spread Variance ("VSV") price protection and a Calendar Spread Variance ("CSV") price protection. The VSV establishes minimum and maximum trading price limits for Vertical Spreads.[10] The CSV establishes a minimum trading price limit for Calendar Spreads.[11] If the execution price of a complex order would be outside of the limits established for Vertical Spreads and Calendar Spreads, such complex order will be placed on the Strategy Book and will be managed to the appropriate trading price limit as described in Rule 518(c)(4), Managed Interest Process for Complex Orders. Orders to buy below the minimum trading price limit and orders to sell above the maximum trading price limit (in the case of Vertical Spreads) will be rejected by the System.[12]

The Exchange now proposes to adopt new subsection (g) in Rule 518, Interpretations and Policies .01, to provide a price protection feature for certain stock-option strategies that have a single option component tied to a stock component with a standard deliverable.[13] The proposed price protection feature, named "Parity Price Protection," will provide price protection for

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8 A "Vertical Spread" is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices. See Exchange Rule 518.05(a).

9 A "Calendar Spread" is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. See Exchange Rule 518.05(b).

10 See Exchange Rule 518.05(a).

11 See Exchange Rule 518.05(b).

12 See Exchange Rule 518.05(c).

13 The standard stock deliverable is 100 shares.

strategies that consist of a sale of one call[14] and the purchase of one hundred shares of the underlying stock ("Buy-Write") and the contra side of the strategy, or that consist of the purchase of one put[15] and the purchase of one hundred shares of the underlying stock ("Married-Put") and the contra side of the strategy. The Exchange will establish a Parity Spread Variance ("PSV") value between $0.00 and $0.50. The PSV value will be uniform for all option classes traded on the Exchange as determined by the Exchange and communicated to Members via Regulatory Circular prior to accepting such orders on the Exchange. The PSV will be used to calculate a minimum option trading price limit that the System will prevent the option leg from trading below by applying the PSV value to the strike price of the option to establish a parity protected price for the strategy. For call option legs, the PSV value is added to the strike price of the option; for put option legs, the PSV value is subtracted from the strike price of the option. The System will then prevent the strategy from trading below its parity protected price limit to ensure that the strategy does not execute at a potentially erroneous price.

The examples below provide an illustration of how the protection is calculated for Buy-Write and Married-Put strategies. For the purposes of the following examples the PSV used in the calculations is $.10.

Following is an example of the operation of the price protection feature for a Married-Put Strategy:

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14 The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

15 The term "put" means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

<u>Example 1 (Married-Put)</u>

In its simplest terms the parity price of a put option can be expressed as (Strike Price – Stock Price = Put Option Parity Price). If, for example, the stock is trading at $45.00 and the Strike Price of the put option is $50.00, the parity price of the put option would then be $5.00 ($50.00 – $45.00 = $5.00). The Exchange is able to leverage the parity relationship between the components to establish a minimum option trading price limit for Married-Put Strategies by simply subtracting the PSV from the strike price of the option. The effect on the option price can be seen in the following calculation (($50.00 - $0.10) - $45.00 = $49.90 - $45.00 = $4.90). The Exchange will calculate the parity protected price for a Married-Put Strategy by leveraging the put option parity formula by simply subtracting the PSV from the strike price of the option. This would result in a parity protected price for the strategy of $49.90 using the figures above.

This allows for the stock component and the option component prices to fluctuate to achieve the strategy's net price, but ensures that the strategy will not trade below its parity protected price. Married Put Strategy interest received to sell a price protected Married-Put Strategy below $49.90 will be placed on the Strategy Book[16] at $49.90. Married Put Strategy interest received to buy a price protected Married-Put Strategy below $49.90 will be rejected.

<u>Example 2 (Buy-Write)</u>

In its simplest terms the parity price of a call option can be expressed as (Stock Price – Strike Price = Call Option Parity Price). If, for example, the stock is trading at $45.00 and the Strike Price of the call option is $40.00, the parity price of the call option would then be $5.00 ($45.00 – $40.00 = $5.00). The Exchange is able to leverage the parity relationship between the components to establish a minimum option trading price limit for Buy-Write Strategies by

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16 The "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. <u>See</u> Exchange Rule 518(a)(17).

adding the PSV to the strike price of the option. The effect on the option price can be seen in the following calculation ($45.00 – ($40.00 + $.10) = $45.00 – $40.10 = $4.90). The Exchange will calculate the parity protected price for a Buy-Write Strategy by leveraging the call option parity formula by simply adding the PSV to the strike price of the option. This would result in a parity protected price for the strategy of $40.10 net debit using the figures above.

This allows for the stock component and the option component prices to fluctuate to achieve the strategy's net price, but ensures that the strategy will not trade below its parity protected price. Buy-Write strategy interest received to sell a price protected Buy-Write Strategy below $40.10 net debit will be placed on the Strategy Book at $40.10 net debit.[17] Buy-Write strategy interest received to buy a price protected Buy-Write Strategy below $40.10 net debit will be rejected.

Second, the Exchange proposes to delete certain existing rule text from Exchange Rule 518, Interpretations and Policies .01, subsection (b), to eliminate an unnecessary execution price restriction for the stock component of a stock-option strategy. Exchange Rule 518, Interpretations and Policies .01 subsection (b), contains a paragraph that provides that, "[t]he execution price of the underlying security component must be also within the high-low range for the day in the underlying security at the time the stock-option order is processed and within a certain price from the current market, which the Exchange will establish and communicate to Members via Regulatory Circular. If the underlying security component price is not within these parameters, the stock-option order is not executable."[18] The Exchange does not believe that this execution price restriction for the stock component is necessary given the existing price protections already in place on the Exchange.

[17] A seller of the strategy would receive a $40.10 net credit.

[18] See Exchange Rule 518, Interpretations and Policies .01(b).

The Exchange believes that the execution price restriction for the stock component of a stock-option strategy is unnecessary because all complex orders on the Exchange, including stock-option orders, receive Implied Complex MIAX Best Bid or Offer ("icMBBO") protection.[19] The icMBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. For stock-option orders, the icMBBO for a complex strategy is calculated using the best price (whether displayed or non-displayed) on the Simple Order Book[20] in the individual option component(s), and the NBBO[21] in the stock component.[22] Exchange Rule 518(c)(2)(ii) provides, in relevant part, that incoming complex orders and quotes will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price. Further, the rule provides that complex orders will never be executed at a price that is outside of the individual component prices on the Simple Order Book, and the net price of a complex order executed against another complex order on the Strategy Book will never be inferior to the price that would be available if the complex order legged into the Simple Order Book. Accordingly, as a result of the icMBBO price protection feature, the execution price for the stock component of a stock-option order will always be inside the NBBO of the stock. Therefore, rule text stating that the execution price of the underlying security component must be within the high-low range for the day is unnecessary, as the icMBBO protection ensures that executions are always within the NBBO.

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19 See Exchange Rule 518(a)(11).

20 The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

21 The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor ("SIP"). See Exchange Rule 518(a)(14).

22 See Exchange Rule 518(a)(11).

Finally, the Exchange proposes to make a number of minor, non-substantive edits to Rule 518, Interpretations and Policies .05(e), to add clarity and precision to the Exchange's rule text. Since the Exchange will be introducing the trading of complex strategies which include a "stock" component, the Exchange seeks to clarify certain aspects of the rule that are intended to apply only to the "option" component of a complex strategy. Specifically, the Exchange proposes to clarify the definition of a Wide Market Condition, as described in Interpretations and Policies .05, subsection (e)(1), so that it is clear that it is only applying to the "option" component of a complex strategy. The new proposed rule text will provide that, "[a] 'wide market condition' is defined as any individual option component of a complex strategy having, at the time of evaluation, an MBBO[23] quote width that is wider than the permissible valid quote width as defined in Rule 603(b)(4)." By definition, the MBBO is comprised of option interest only, therefore providing additional detail to the existing rule adds clarity to the Exchange's rules.

Similarly, the Exchange proposes to clarify that Simple Market Auction or Timer Events ("SMAT Events") pertain only to "option" components of a complex strategy, by amending Interpretations and Policies .05, subsection (e)(2)(i) and (e)(2)(ii), to include the term "option component" in the first sentence of each section. By definition, the Exchange's Simple Market is comprised of option interest only, on the Simple Order Book, therefore providing additional detail to the existing rule adds clarity to the Exchange's rules.

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act[24] in general, and furthers the objectives of Section 6(b)(5) of the Act[25] in particular, in that it

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23 The term "MBBO" means the best bid or offer on the Simple Order Book on the Exchange. <u>See</u> Exchange Rule 518(a)(13).

24 15 U.S.C. 78f(b).

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 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 establishing a parity price protection for certain Buy-Write and Married-Put strategies promotes just and equitable principles of trade and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by ensuring that strategies are not executed at potentially erroneous prices.

Given the relationship that the stock price, strike price, and option price have to each other, the Exchange is able to calculate a minimum option trading price limit for the option leg of certain stock-option strategies with a call or a put component. Specifically, the parity price of a call option can be derived by subtracting the strike price from the stock price (Stock Price – Strike Price = Call Option Parity Price); and the parity price of a put option can be derived by subtracting the stock price from the strike price (Strike Price – Stock Price = Put Option Parity Price). Using these relationships the PSV may be applied to establish a minimum option trading price limit that the System will prevent the option leg from trading below to establish a parity protected price for the strategy to ensure the strategy does not trade below its parity protected price at a potentially erroneous price.

The Exchange believes that Members will benefit from the proposed risk protection measure as the protection ensures that these stock-option strategies are not executed below their

[25] 15 U.S.C. 78f(b)(5).

parity protected price as calculated by the Exchange. Consequently, the proposed risk protection is designed to encourage Members to submit additional order flow and liquidity to the Exchange in these strategies, 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. This protection should provide Members with confidence that protections are in place on the Exchange to reduce the risk of these strategies being executed at potentially erroneous prices. As a result, the Exchange believes that the proposed price protection feature will promote just and equitable principles of trade.

Additionally the Exchange's proposal to remove unnecessary rule text from its current rule which requires that the execution price of the underlying security component be within the high-low range for the day in the underlying security at the time the stock-option order is processed is consistent with Section 6(b) of the Act[26] in general, and furthers the objectives of Section 6(b)(5) of the Act[27] in particular. The Exchange believes that its existing icMBBO price protection feature will sufficiently guard against potentially erroneous transaction prices for complex strategies which include an underlying stock component. The icMBBO for a complex strategy involving a stock component is calculated using the best price on the Simple Order Book in the individual option component(s) and the NBBO in the stock component.[28] Every complex order entered on the Exchange receives the icMBBO price protection[29] and as a result, the execution price for the stock component of a stock-option order will always be inside the NBBO of the stock. Removal of the unnecessary rule text will protect investors and the public

26 15 U.S.C. 78f(b).

27 15 U.S.C. 78f(b)(5).

28 See supra note 21.

29 See supra note 19.

interest by providing clarity and precision in the Exchange's rules. Further, the Exchange notes that other exchanges that offer stock-option orders do not have this provision in their rules.[30]

Finally, the Exchange proposes to make minor non-substantive changes to its rule to clarify that Wide Market Conditions and Simple Market Auction or Timer Events on the Exchange are related to the "option" components only for complex strategies. The Exchange believes the proposed changes promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system because they seek to add clarity and precision to the Exchange's rules. The Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will foster competition as it provides a risk protection mechanism for certain complex strategies entered on the Exchange and may promote competition by enabling Members to trade more aggressively on the Exchange knowing that these strategies will not be executed below parity protected price at potentially erroneous prices. Accordingly, the price protection feature should instill additional confidence in Members that submit certain stock-option orders to the Exchange that their orders receive price protection, and thus should encourage Members to submit additional order flow and liquidity to the Exchange,

30 See CBOE Rule 6.53C.06 and NASDAQ ISE Rule 722.

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.

The removal of unnecessary rule text pertaining to the execution price of the stock component of a stock-option order does not impose any burden on competition as the proposed change will align the Exchange's rule with that of other exchanges.[31] Further, the additional proposed changes remedy minor non-substantive issues in the text of various rules identified in this proposal.

The Exchange does not believe the proposed rule change will impose any burden on intra-market competition as price protection is available to all market participants that submit orders in certain stock-option strategies. The Exchange further believes that the proposed price protection should promote inter-market competition, and result in more competitive order flow to the Exchange by protecting market participants from potentially erroneous executions occurring at prices below the parity protected price of the strategy, as calculated by the Exchange.

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 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.

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31 Id.

7. <u>Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)</u>

Pursuant to Section 19(b)(3)(A) of the Act[32] and Rule 19b-4(f)(6)[33] 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 proposed amendment to Exchange Rule 518.01 to adopt a parity price protection ensures that certain complex strategies are not executed below their parity protected price as calculated by the Exchange. As such, the proposal does not significantly affect the protection of investors or the public interest; on the contrary, the proposal is designed to enhance the protection of investors and the public interest by safeguarding against the possibility of potentially erroneous execution prices. The Exchange notes that it provides similar price protections for other complex strategies that do not have a stock component.[34]

Further the Exchange's proposal promotes the protection of investors and the public interest by removing unnecessary rule text from the Exchange's rules requiring that the execution price of the underlying security component must be within the high-low range for the day in the underlying security at the time the stock-option order is processed. All complex orders on the Exchange receive icMBBO protection, which ensures that executions are always

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32 15 U.S.C. 78s(b)(3)(A).

33 17 CFR 240.19b-4(f)(6).

34 <u>See</u> <u>supra</u> note 10 and 11.

within the NBBO.[35] Therefore, removing this provision from the Exchange's rulebook does not significantly affect the protection of investors or the public interest in any way. Removal of the unnecessary rule text does not affect the protection of investors or the public interest as the proposed change aligns the Exchange's rule to that of other options exchanges that offer stock option orders[36] and thereby protects investors and the public interest by reducing the chance for confusion. Further, the Exchanges' proposal to make minor non-substantive changes to the rule text improves the accuracy and precision of the Exchange's rules.

The Exchange's proposal does not impose any significant burden on competition as the Exchange's proposal to remove unnecessary rule text pertaining to the execution price of the stock component of a stock-option order is designed to align the Exchange's rule to other exchanges.[37] Further, the Exchange believes its proposed price protection should promote competition and result in more competitive order flow to the Exchange by protecting market participants from executions occurring at potentially erroneous prices.

Therefore, the Exchange believes that the proposed rule change is well-suited for, and meets the standards applicable to, the Commission's treatment of proposals under Section 19(b)(3)(A) of the Act[38] and Rule 19b-4(f)(6) thereunder.[39] Accordingly, for the reasons stated above, the Exchange believes that the proposed rule change is non-controversial and is therefore eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

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35 See Exchange Rule 518(c)(2)(ii).

36 See CBOE Rule 6.53C(a)(2) and NASDAQ ISE Rule 722(a)(2).

37 See supra note 30.

38 15 U.S.C. 78s(b)(3)(A).

39 17 CFR 240.19b-4(f)(6).

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act[40] normally does not become operative for 30 days after the date of its filing.

The Exchange respectfully requests that the Commission waive the 30-day operative delay. Waiver of operative delay is consistent with the protection of investors and the public interest because it would enable market participants to benefit from the proposed parity price protection feature. The parity price protection provides for the protection of investors and the public interest by safeguarding against the possibility of executions occurring at potentially erroneous prices. Similarly, the Exchange's proposal to remove rule text from its rulebook requiring that the execution price of the underlying security component must be within the high-low range for the day in the underlying security at the time the stock-option order is processed does not significantly affect the protection of investors or the public interest in any way, as all complex orders on the Exchange receive icMBBO protection which ensures that executions are always within the NBBO. Removal of the unnecessary rule text protects investors and the public interest by providing clarity and precision in the Exchange's rules and reducing the chance for confusion.

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

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

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rule is not based on rules of another self-regulatory organization or of the Commission.

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 changes to rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2018-16)

July__, 2018

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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on July 16, 2018, Miami International Securities Exchange, LLC ("MIAX Options" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend Exchange Rule 518, Complex Orders, to update its rule text regarding stock-option orders, in connection with the upcoming launch of such orders on the Exchange.

The text of the proposed rule change is available on the Exchange's website at http://www.miaxoptions.com/rule-filings/ at MIAX Options' principal office, and at the Commission's Public Reference Room.

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

2 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend Exchange Rule 518, Complex Orders, to update its rule text regarding stock-option orders, in connection with the upcoming launch of such orders on the Exchange. In particular, the Exchange is proposing to (i) adopt new rule text to introduce a new price protection feature for certain stock-option strategies, (ii) delete certain existing rule text to eliminate an unnecessary execution price restriction for the stock component of a stock-option strategy, and (iii) make certain minor clarifying edits to existing rule text.

Complex orders began trading on the Exchange on October 24, 2016.[3] In its rule filing to establish the trading of complex orders, the Exchange adopted rules for handling stock-option orders.[4] The Exchange also indicated that it would determine when stock-option orders would be made available for trading in the System[5] and would communicate such determination to

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3 See MIAX Regulatory Circular 2016-43, October 20, 2016.

4 See Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR-MIAX-2016-26).

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

Members[6] via Regulatory Circular.[7] The Exchange is now proposing to make certain changes to its rule text, in connection with the upcoming launch of such orders on the Exchange, which is scheduled for the third quarter of 2018.

Currently, the Exchange provides price protection for certain complex option trading strategies such as Vertical Spreads[8] and Calendar Spreads[9] to prevent executions at potentially erroneous prices. Specifically, the Exchange provides a Vertical Spread Variance ("VSV") price protection and a Calendar Spread Variance ("CSV") price protection. The VSV establishes minimum and maximum trading price limits for Vertical Spreads.[10] The CSV establishes a minimum trading price limit for Calendar Spreads.[11] If the execution price of a complex order would be outside of the limits established for Vertical Spreads and Calendar Spreads, such complex order will be placed on the Strategy Book and will be managed to the appropriate trading price limit as described in Rule 518(c)(4), Managed Interest Process for Complex Orders. Orders to buy below the minimum trading price limit and orders to sell above the maximum trading price limit (in the case of Vertical Spreads) will be rejected by the System.[12]

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

7 See supra note 4.

8 A "Vertical Spread" is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices. See Exchange Rule 518.05(a).

9 A "Calendar Spread" is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. See Exchange Rule 518.05(b).

10 See Exchange Rule 518.05(a).

11 See Exchange Rule 518.05(b).

12 See Exchange Rule 518.05(c).

The Exchange now proposes to adopt new subsection (g) in Rule 518, Interpretations and Policies .01, to provide a price protection feature for certain stock-option strategies that have a single option component tied to a stock component with a standard deliverable.[13] The proposed price protection feature, named "Parity Price Protection," will provide price protection for strategies that consist of a sale of one call[14] and the purchase of one hundred shares of the underlying stock ("Buy-Write") and the contra side of the strategy, or that consist of the purchase of one put[15] and the purchase of one hundred shares of the underlying stock ("Married-Put") and the contra side of the strategy. The Exchange will establish a Parity Spread Variance ("PSV") value between $0.00 and $0.50. The PSV value will be uniform for all option classes traded on the Exchange as determined by the Exchange and communicated to Members via Regulatory Circular prior to accepting such orders on the Exchange. The PSV will be used to calculate a minimum option trading price limit that the System will prevent the option leg from trading below by applying the PSV value to the strike price of the option to establish a parity protected price for the strategy. For call option legs, the PSV value is added to the strike price of the option; for put option legs, the PSV value is subtracted from the strike price of the option. The System will then prevent the strategy from trading below its parity protected price limit to ensure that the strategy does not execute at a potentially erroneous price.

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13 The standard stock deliverable is 100 shares.

14 The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

15 The term "put" means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

The examples below provide an illustration of how the protection is calculated for Buy-Write and Married-Put strategies. For the purposes of the following examples the PSV used in the calculations is $.10.

Following is an example of the operation of the price protection feature for a Married-Put Strategy:

Example 1 (Married-Put)

In its simplest terms the parity price of a put option can be expressed as (Strike Price – Stock Price = Put Option Parity Price). If, for example, the stock is trading at $45.00 and the Strike Price of the put option is $50.00, the parity price of the put option would then be $5.00 ($50.00 – $45.00 = $5.00). The Exchange is able to leverage the parity relationship between the components to establish a minimum option trading price limit for Married-Put Strategies by simply subtracting the PSV from the strike price of the option. The effect on the option price can be seen in the following calculation (($50.00 - $0.10) - $45.00 = $49.90 - $45.00 = $4.90). The Exchange will calculate the parity protected price for a Married-Put Strategy by leveraging the put option parity formula by simply subtracting the PSV from the strike price of the option. This would result in a parity protected price for the strategy of $49.90 using the figures above.

This allows for the stock component and the option component prices to fluctuate to achieve the strategy's net price, but ensures that the strategy will not trade below its parity protected price. Married Put Strategy interest received to sell a price protected Married-Put Strategy below $49.90 will be placed on the Strategy Book[16] at $49.90. Married Put Strategy interest received to buy a price protected Married-Put Strategy below $49.90 will be rejected.

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

Example 2 (Buy-Write)

In its simplest terms the parity price of a call option can be expressed as (Stock Price – Strike Price = Call Option Parity Price). If, for example, the stock is trading at $45.00 and the Strike Price of the call option is $40.00, the parity price of the call option would then be $5.00 ($45.00 – $40.00 = $5.00). The Exchange is able to leverage the parity relationship between the components to establish a minimum option trading price limit for Buy-Write Strategies by adding the PSV to the strike price of the option. The effect on the option price can be seen in the following calculation ($45.00 – ($40.00 + $.10) = $45.00 – $40.10 = $4.90). The Exchange will calculate the parity protected price for a Buy-Write Strategy by leveraging the call option parity formula by simply adding the PSV to the strike price of the option. This would result in a parity protected price for the strategy of $40.10 net debit using the figures above.

This allows for the stock component and the option component prices to fluctuate to achieve the strategy's net price, but ensures that the strategy will not trade below its parity protected price. Buy-Write strategy interest received to sell a price protected Buy-Write Strategy below $40.10 net debit will be placed on the Strategy Book at $40.10 net debit.[17] Buy-Write strategy interest received to buy a price protected Buy-Write Strategy below $40.10 net debit will be rejected.

Second, the Exchange proposes to delete certain existing rule text from Exchange Rule 518, Interpretations and Policies .01, subsection (b), to eliminate an unnecessary execution price restriction for the stock component of a stock-option strategy. Exchange Rule 518, Interpretations and Policies .01 subsection (b), contains a paragraph that provides that, "[t]he execution price of the underlying security component must be also within the high-low range for the day in the underlying security at the time the stock-option order is processed and within a

17 A seller of the strategy would receive a $40.10 net credit.

certain price from the current market, which the Exchange will establish and communicate to Members via Regulatory Circular. If the underlying security component price is not within these parameters, the stock-option order is not executable."[18] The Exchange does not believe that this execution price restriction for the stock component is necessary given the existing price protections already in place on the Exchange.

The Exchange believes that the execution price restriction for the stock component of a stock-option strategy is unnecessary because all complex orders on the Exchange, including stock-option orders, receive Implied Complex MIAX Best Bid or Offer ("icMBBO") protection.[19] The icMBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. For stock-option orders, the icMBBO for a complex strategy is calculated using the best price (whether displayed or non-displayed) on the Simple Order Book[20] in the individual option component(s), and the NBBO[21] in the stock component.[22] Exchange Rule 518(c)(2)(ii) provides, in relevant part, that incoming complex orders and quotes will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price. Further, the rule provides that complex orders will never be executed at a price that is outside of the individual component prices on the Simple Order Book, and the net price of a complex order executed against another complex order

18 See Exchange Rule 518, Interpretations and Policies .01(b).

19 See Exchange Rule 518(a)(11).

20 The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

21 The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor ("SIP"). See Exchange Rule 518(a)(14).

22 See Exchange Rule 518(a)(11).

on the Strategy Book will never be inferior to the price that would be available if the complex order legged into the Simple Order Book. Accordingly, as a result of the icMBBO price protection feature, the execution price for the stock component of a stock-option order will always be inside the NBBO of the stock. Therefore, rule text stating that the execution price of the underlying security component must be within the high-low range for the day is unnecessary, as the icMBBO protection ensures that executions are always within the NBBO.

Finally, the Exchange proposes to make a number of minor, non-substantive edits to Rule 518, Interpretations and Policies .05(e), to add clarity and precision to the Exchange's rule text. Since the Exchange will be introducing the trading of complex strategies which include a "stock" component, the Exchange seeks to clarify certain aspects of the rule that are intended to apply only to the "option" component of a complex strategy. Specifically, the Exchange proposes to clarify the definition of a Wide Market Condition, as described in Interpretations and Policies .05, subsection (e)(1), so that it is clear that it is only applying to the "option" component of a complex strategy. The new proposed rule text will provide that, "[a] 'wide market condition' is defined as any individual option component of a complex strategy having, at the time of evaluation, an MBBO[23] quote width that is wider than the permissible valid quote width as defined in Rule 603(b)(4)." By definition, the MBBO is comprised of option interest only, therefore providing additional detail to the existing rule adds clarity to the Exchange's rules.

Similarly, the Exchange proposes to clarify that Simple Market Auction or Timer Events ("SMAT Events") pertain only to "option" components of a complex strategy, by amending Interpretations and Policies .05, subsection (e)(2)(i) and (e)(2)(ii), to include the term "option component" in the first sentence of each section. By definition, the Exchange's Simple Market

23 The term "MBBO" means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(13).

is comprised of option interest only, on the Simple Order Book, therefore providing additional detail to the existing rule adds clarity to the Exchange's rules.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act[24] in general, and furthers the objectives of Section 6(b)(5) of the Act[25] 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 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 establishing a parity price protection for certain Buy-Write and Married-Put strategies promotes just and equitable principles of trade and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by ensuring that strategies are not executed at potentially erroneous prices.

Given the relationship that the stock price, strike price, and option price have to each other, the Exchange is able to calculate a minimum option trading price limit for the option leg of certain stock-option strategies with a call or a put component. Specifically, the parity price of a call option can be derived by subtracting the strike price from the stock price (Stock Price – Strike Price = Call Option Parity Price); and the parity price of a put option can be derived by subtracting the stock price from the strike price (Strike Price – Stock Price = Put Option Parity Price). Using these relationships the PSV may be applied to establish a minimum option trading

24 15 U.S.C. 78f(b).

25 15 U.S.C. 78f(b)(5).

price limit that the System will prevent the option leg from trading below to establish a parity protected price for the strategy to ensure the strategy does not trade below its parity protected price at a potentially erroneous price.

The Exchange believes that Members will benefit from the proposed risk protection measure as the protection ensures that these stock-option strategies are not executed below their parity protected price as calculated by the Exchange. Consequently, the proposed risk protection is designed to encourage Members to submit additional order flow and liquidity to the Exchange in these strategies, 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. This protection should provide Members with confidence that protections are in place on the Exchange to reduce the risk of these strategies being executed at potentially erroneous prices. As a result, the Exchange believes that the proposed price protection feature will promote just and equitable principles of trade.

Additionally the Exchange's proposal to remove unnecessary rule text from its current rule which requires that the execution price of the underlying security component be within the high-low range for the day in the underlying security at the time the stock-option order is processed is consistent with Section 6(b) of the Act[26] in general, and furthers the objectives of Section 6(b)(5) of the Act[27] in particular. The Exchange believes that its existing icMBBO price protection feature will sufficiently guard against potentially erroneous transaction prices for complex strategies which include an underlying stock component. The icMBBO for a complex strategy involving a stock component is calculated using the best price on the Simple Order

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[26] 15 U.S.C. 78f(b).

[27] 15 U.S.C. 78f(b)(5).

Book in the individual option component(s) and the NBBO in the stock component.[28] Every complex order entered on the Exchange receives the icMBBO price protection[29] and as a result, the execution price for the stock component of a stock-option order will always be inside the NBBO of the stock. Removal of the unnecessary rule text will protect investors and the public interest by providing clarity and precision in the Exchange's rules. Further, the Exchange notes that other exchanges that offer stock-option orders do not have this provision in their rules.[30]

Finally, the Exchange proposes to make minor non-substantive changes to its rule to clarify that Wide Market Conditions and Simple Market Auction or Timer Events on the Exchange are related to the "option" components only for complex strategies. The Exchange believes the proposed changes promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system because they seek to add clarity and precision to the Exchange's rules. The Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will foster competition as it provides a risk protection mechanism for certain complex strategies entered on the Exchange and may promote competition by enabling Members to trade more aggressively on the Exchange knowing that

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28 See supra note 21.

29 See supra note 19.

30 See CBOE Rule 6.53C.06 and NASDAQ ISE Rule 722.

these strategies will not be executed below parity protected price at potentially erroneous prices. Accordingly, the price protection feature should instill additional confidence in Members that submit certain stock-option orders to the Exchange that their orders receive price protection, and thus should encourage Members to submit additional order flow and liquidity to the Exchange, 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.

The removal of unnecessary rule text pertaining to the execution price of the stock component of a stock-option order does not impose any burden on competition as the proposed change will align the Exchange's rule with that of other exchanges.[31] Further, the additional proposed changes remedy minor non-substantive issues in the text of various rules identified in this proposal.

The Exchange does not believe the proposed rule change will impose any burden on intra-market competition as price protection is available to all market participants that submit orders in certain stock-option strategies. The Exchange further believes that the proposed price protection should promote inter-market competition, and result in more competitive order flow to the Exchange by protecting market participants from potentially erroneous executions occurring at prices below the parity protected price of the strategy, as calculated by the Exchange.

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 enhance competition.

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[31] Id.

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[32] and Rule 19b-4(f)(6)[33] 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:

[32] 15 U.S.C. 78s(b)(3)(A).

[33] 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.

- 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-2018-16 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-2018-16. 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-2018-16 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.[34]

Brent J. Fields
Secretary

[34] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC

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Rule 518. Complex Orders

(a) – (d) No change

Interpretations and Policies:

.01. **Special Provisions Applicable to Stock-Option Orders**:

(a) No change

(b) **Process.** When a stock-option order is received by the Exchange, the System will validate that the stock-option order has been properly marked as required by Rule 200 of Regulation SHO under the Act ("Rule 200"). Rule 200 requires all broker-dealers to mark sell orders of equity securities as "long," "short," or "short exempt." Accordingly, Members submitting stock-option orders must mark the underlying security component (including ETF) "long," "short," or "short exempt" in compliance with Rule 200. If the stock-option order is not so marked, the order will be rejected by the System. Likewise, any underlying security component of a stock-option order sent by the Exchange to the Exchange-designated broker-dealer shall be marked "long," "short," or "short exempt" in the same manner in which it was received by the Exchange from the submitting Member.

If the stock-option order is properly marked, the System will determine whether the stock-option order is Complex Auction-eligible. If the stock-option order is Complex Auction-eligible, the System will initiate the Complex Auction Process described in paragraph (d) of this Rule. Any stock-option order executed utilizing the Complex Auction Process will comply with the requirements of Rule 201 of Regulation SHO under the Act ("Rule 201") as discussed further below.

When the short sale price test in Rule 201 is triggered for a covered security, a "trading center," such as the Exchange, an Exchange-designated broker-dealer, or a stock trading venue, as applicable, must comply with Rule 201. For purposes of this paragraph, the term "covered security" shall have the same meaning as in Rule 201(a)(1) of Regulation SHO. The term "covered security" is defined in Rule 201(a)(1) as any NMS stock as defined in Rule 600(b)(47) of Regulation NMS. Rule 201(a)(9) states that the term "trading center" shall have the same meaning as in Rule 600(b)(78). Rule 600(b)(78) of Regulation NMS defines a "trading center" as "a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent." Rule 201 requires a trading center to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order of a covered security at a price that is less than or equal to the current national best bid if the price of that covered security decreases by 10% or more from the covered security's closing price as determined by the listing market for the covered security as of the end of regular trading hours on the prior day; and impose these requirements for the remainder of the day and the following day when a national best bid for the covered security is calculated and disseminated on a current and continuing basis by a plan processor pursuant to an effective national market system plan. A trading center such as the Exchange, an Exchange-designated broker-dealer and a stock trading venue, as applicable, on which the underlying security component is executed, must also comply with Rule 201(b)(1)(iii)(B), which provides that a trading center must establish, maintain, and enforce written policies and procedures reasonably designed to permit the execution or display of a short sale order of a covered security marked "short exempt" without regard to whether the order is at a price that is less than or equal to the current national best bid.

If the stock-option order is not Complex Auction-eligible, the System will determine if it is eligible to be executed against another inbound stock-option order or another stock-option order resting on the Strategy Book. If eligible, the System will route both sides of the matched underlying security component of the stock-option order as a Qualified Contingent Trade ("QCT") to an Exchange-designated broker-dealer for execution on a stock trading venue. The stock trading venue will then either successfully execute the QCT or cancel it back to the Exchange-designated broker-dealer, which in turn will either report the execution of the QCT or cancel it back to the Exchange. While the Exchange is a trading center pursuant to Rule 201, the Exchange will neither execute nor display the underlying security component of a stock-option order. Instead, the execution or display of the underlying security component of a stock-option order will occur on a trading center other than the Exchange, such as an Exchange-designated broker-dealer or other stock trading venue.

If the Exchange-designated broker-dealer or other stock trading venue, as applicable, cannot execute the underlying security component of a stock-option order in accordance with Rule 201, the Exchange will not execute the option component(s) of the stock-option order and will either place the unexecuted stock-option order on the Strategy Book or cancel it back to the submitting Member in accordance with the submitting Member's instructions (except that cAOC and cIOC stock-option orders and eQuotes will be cancelled). Once placed back onto the Strategy Book, the stock-option order will be handled in accordance with Rule 518, Interpretations and Policies .01(b).

[The execution price of the underlying security component must be also within the high-low range for the day in the underlying security at the time the stock-option order is processed and within a certain price from the current market, which the Exchange will establish and communicate to Members via Regulatory Circular. If the underlying security component price is not within these parameters, the stock-option order is not executable.]

If the stock-option order is not Complex Auction-eligible and cannot be executed or placed on the Strategy Book, it will be cancelled by the System. Otherwise, the stock-option order will be placed on the Strategy Book.

(c) – (f) No change

(g) **Parity Price Protection.** The System will provide parity price protection for strategies that consist of a sale (purchase) of one call and the purchase (sale) of 100 shares of the underlying stock ("Buy-Write") or that consist of the purchase (sale) of one put and the purchase (sale) of 100 shares of the underlying stock ("Married-Put"). A Parity Spread Variance ("PSV") value between $0.00 and $0.50 which will be uniform for all option classes traded on the Exchange, will be determined by the Exchange and communicated via Regulatory Circular. The PSV will be used to calculate a minimum option trading price limit that the System will prevent the option leg from trading below. For call option legs, the PSV value is added to the strike price of the option to establish a parity protected price for the strategy. For put option legs, the PSV value is subtracted from the strike price of the option to establish a parity protected price for the strategy. Married-Put and Buy-Write interest to buy (buy put and buy stock; or buy call and sell stock) that is priced below the parity protected price for the strategy will be rejected. Married-Put and Buy-Write interest to sell (sell put and sell stock; or sell call and buy stock) that is priced below the parity protected price for the strategy will be placed on the Strategy Book at the parity protected price for the strategy.

.02. – .04 No change

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

(a) – (d) No change

(e) **Wide Market Conditions, SMAT Events and Halts**

(1) **Wide Market Condition.** A "wide market condition" is defined as any individual option component of a complex strategy having, at the time of evaluation, an MBBO quote width that is wider than the permissible valid quote width as defined in Rule 603(b)(4).

(i) – (iii) No change

(2) **SMAT Events**

(i) **SMAT Events During Free Trading**. If a SMAT Event exists during free trading for an option component of a complex strategy, trading in the complex strategy will be suspended. The Strategy Book will remain available for Members to enter and manage complex orders and quotes. New Complex Auctions may be initiated for incoming Complex Auction-eligible orders that meet the requirements of the URIP as described in Interpretations and

Policies .03(b) of this Rule. Incoming complex orders and quotes that could otherwise be executed during the SMAT Event(s) without entering the Complex Auction process will be placed on the Strategy Book. Incoming complex orders received during a SMAT Event with a time in force of IOC will be cancelled by the System.

The System will continue to evaluate the Strategy Book. When the SMAT Event(s) no longer exist(s), the System will evaluate the Strategy Book pursuant to subparagraph (c)(5)(ii) of this Rule, and will use the process and criteria respecting the RIP as described in Interpretations and Policies .03(c) of this Rule to determine whether complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

(ii) **SMAT Events During a Complex Auction.** If, at the end of the Response Time Interval, an option component of a complex strategy is in a SMAT Event, trading in the complex strategy will be suspended and all RFR Responses will be cancelled. Remaining Complex Auction-eligible orders will then be placed on the Strategy Book. When the SMAT Event(s) no longer exist(s), the System will evaluate the Strategy Book pursuant to subparagraph (c)(5)(ii) of this Rule, and will use the process and criteria respecting the RIP as described in Interpretations and Policies .03(c) of this Rule to determine whether marketable complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

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