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

File No.* SR - 2018 - * 35
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) * ☐

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)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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 100, 503, 515

Contact Information

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

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

Signature

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

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

Date 11/09/2018
By Gregory P. Ziegler
(Name *)

(Title *)
Senior Associate Counsel

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

gziegler@miaxoptions.com

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 "Exchange"), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] proposes to amend Exchange Rule 100, Definitions; Rule 515, Execution of Orders and Quotes; and Rule 503, Openings on the Exchange.

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. 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 Gregory P. Ziegler, Senior Associate Counsel, at (609) 897-1483.

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

[2] 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend certain rules in connection with the listing and trading of non-multi-listed option products on the Exchange that are proprietary to the Exchange. Specifically, the Exchange proposes to amend (i) Rule 100, Definitions, to adopt two new definitions; (ii) Rule 515, Execution of Orders and Quotes, to adopt a new price protection provision; and (iii) Rule 503, Openings on the Exchange, to adopt new rule text for processing certain orders during the Opening Process.

Specifically, the Exchange proposes to amend Exchange Rule 100, Definitions, to adopt new definitions for the terms "Proprietary Product" and "Non-Proprietary Product." The proposed definition of a Proprietary Product is, "a class of options that is listed exclusively on the Exchange and any of its affiliates," while the proposed definition of a Non-Proprietary Product is, "a class of options that is not a Proprietary Product." The Exchange believes that these proposed new definitions will add clarity, precision, and ease of reference to the Exchange's rules when such rules discuss different system functionality for a particular class of options that is a Proprietary Product versus a Non-Proprietary Product.

The Exchange also proposes to amend Exchange Rule 515, Execution of Orders and Quotes, so that it applies only to Non-Proprietary Products. (The Exchange is proposing to adopt a new price protection rule (discussed below) that will apply only to Proprietary Products.) Currently, subsection (c)(1), Price Protection on Non-Market Maker Orders, describes a price protection process for all non-Market Maker[3] orders received during a trading session. The price

3 The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

protection process prevents an order from being executed beyond the price designated in the order's price protection instructions (the "price protection limit"). When triggered, the price protection process will cancel an order or the remaining contracts of an order.[4] However, not all order types currently available on the Exchange are eligible for price protection, due to the nature of the order type and its intended use. Specifically, the rule currently provides that the price protection process set forth in Rule 515(c)(1) does not apply to Intermarket Sweep Orders ("ISO"),[5] Immediate or Cancel ("IOC") orders,[6] or Fill-or-Kill ("FOK") orders.[7]

The Exchange now proposes to amend the heading of subsection (c)(1) to read, "Price Protection on Non-Market Maker Orders in Non-Proprietary Products" so that it only applies to Non-Proprietary Products. The Exchange believes that this change will help distinguish the price protection process provided for non-Market Maker orders in Non-Proprietary Products from the proposed price protection process for non-Market Maker orders in Proprietary Products as discussed below.

The Exchange proposes to adopt new subsection (c)(2), entitled, "Price Protection on Non-Market Maker Orders in Proprietary Products." Under this proposal the System will apply the following price protection process to all non-Market Maker orders in Proprietary Products received during a regular trading session that are larger than, and priced through, the opposite side NBBO.[8] The price protection process provides exposure and time for market responses at

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4 See Exchange Rule 515(c)(1).

5 See Exchange Rule 516(f).

6 See Exchange Rule 516(c).

7 See Exchange Rule 516(b)(2).

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

defined price levels during the price protection process. To establish the price level, the System[9] will calculate a protection price limit for each order eligible for price protection by adding (subtracting) a set number of MPVs[10] if the order is a buy (sell) to (i) the opposite side NBBO, (ii) the previous protection limit price, or (iii) in certain circumstances the limit price of same side joining interest after the expiration of the liquidity exposure process timer as described more fully below. The number of MPVs will be determined by the Exchange and announced to Members[11] through a Regulatory Circular, provided that the minimum shall be no less than two (2) MPVs and the maximum shall be no more than twenty (20) MPVs.

The price protection process described above will not apply to Intermarket Sweep Orders (ISOs)[12] or Auction or Cancel (AOC) orders.[13] Intermarket Sweep Orders are a special order type designed to prevent "trade-throughs."[14] ISOs are immediately executable in the System and

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

10 The term MPV means Minimum Price Variation. See Exchange Rule 510.

11 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.

12 Intermarket Sweep Order ("ISO") means a limit order for an option series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the option series with a price that is superior to the limit price of the ISO. A Member may submit an Intermarket Sweep Order to the Exchange only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the Intermarket Sweep Order. See Exchange Rule 1400(h).

13 See Exchange Rule 516(b)(4).

14 Trade-through means the purchase or sale of an NMS stock during regular trading hours, either as principal or agent, at a price that is lower than a protected bid or higher than a protected offer. 17 CFR 242.600(b)(77).

are not eligible for routing to another exchange. An Auction or Cancel order is a limit order used to provide liquidity during a specific Exchange process (such as the Opening Imbalance process described in Rule 503) with a time in force that corresponds with that event. AOC orders are not displayed to any market participant, are not included in the MBBO[15] and therefore not eligible for trading outside of the event, may not be routed, and may not trade at a price inferior to the away markets.[16]

Price protection is provided to orders on the Exchange to prevent executions at erroneous prices. The use of Intermarket Sweep Orders is a key component of the trade-through exemption provided by Rule 611 of Reg NMS[17] and applying a price protection limit to these types of orders may prevent them from achieving their intended purpose. Similarly, Auction or Cancel orders are submitted for a specific purpose and applying a price protection limit is unnecessary. AOC orders are used to provide liquidity during a specific Exchange process with a time in force that corresponds with the event and are not eligible for trading outside of the event.

The Exchange now proposes to adopt new subsection (c)(2)(i) to provide a Liquidity Exposure Process ("LEP") for over-sized orders in Proprietary Products. Interest that would be posted, managed, or that would trade at a price more aggressive than the order's protected price will be subject to the LEP for oversized orders in Proprietary Products. To begin the LEP, the System will broadcast a liquidity exposure message to all subscribers of the Exchange's data feeds which will include the symbol, side of the market, quantity of matched contracts, the imbalance quantity, "must fill" quantity, and price. Additionally, the System will start a

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15 The term "MBBO" means the best bid or offer on the Exchange. <u>See</u> Exchange Rule 100.

16 <u>See</u> Exchange Rule 516(b)(4).

17 17 CFR 242.611(b)(5).

Liquidity Exposure Process timer, not to exceed three (3) seconds, as determined by the Exchange and announced via Regulatory Circular.

All market participants can respond to the liquidity exposure broadcast message. The System will evaluate interest received during the Liquidity Exposure Process based on price and the side of the market relative to the side of the market of the initiating order. During the Liquidity Exposure Process if the Exchange receives interest on the opposite side of the market from the initiating order that locks or crosses the Book price of the interest subject to the LEP, the interest will trade, with resting liquidity executed prior to joining liquidity.

Example 1

MPV: 0.01
LEP Increment: 5

The Exchange has two orders resting on its Book:[18]

Order 1 is to sell 10 contracts at $1.10
Order 2 is to sell 20 contracts at $1.20.

MBBO: 1.00(10) x 1.10(10)
NBBO: 1.00(10) x 1.10(10)

The Exchange receives a new order (Order 3) to buy 20 contracts at $1.20.

When the order is received it is assigned a price protection limit that is calculated by adding 5 MPVs to the opposite side NBBO, therefore the price protection limit for Order 3 is $1.15.

Order 3 buys 10 contracts from Order 1 at $1.10.

Since Order 3 would now trade at a price ($1.20) more aggressive than its protected price ($1.15). The System will initiate the Liquidity Exposure Process at the protected price of $1.15.

The System will broadcast a liquidity exposure message to all subscribers of the Exchange's data feed, and begin a timer, not to exceed three (3) seconds, as determined by the Exchange.

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18 The term "Book" means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

During the Liquidity Exposure Process the Exchange receives a new order (Order 4) to sell 10 contracts at $1.15. This order locks the current same side Book Price of $1.15 and Order 4 sells 10 contracts to Order 3 at $1.15, filling Order 3 and ending the Liquidity Exposure Process.

Order 2, sell 20 contracts at $1.20, remains on the Book.

During the Liquidity Exposure Process if the Exchange receives interest on the same side of the market as the initiating order that is priced more aggressively than the Book price of the interest subject to the LEP that also locks or crosses the opposite side NBBO, the System will immediately terminate the timer.

<u>Example 2</u>

MPV: 0.01
LEP Increment: 5

The Exchange has one order resting on its Book:

Order 1 is to sell 10 contracts at $1.10.

MBBO: 1.00(10) x 1.10(10)
NBBO: 1.00(10) x 1.10(10)

The Exchange receives a new order (Order 2) to buy 20 contracts at $1.20.

When the order is received it is assigned a price protection limit that is calculated by adding 5 MPVs to the opposite side NBBO, therefore the price protection limit for Order 2 is $1.15.

Order 2 buys 10 contracts from Order 1 at $1.10.

Since Order 2 would now trade at a price ($1.20) more aggressive than its protected price ($1.15). The System will initiate the Liquidity Exposure Process at the protected price of $1.15.

During the Liquidity Exposure Process the Exchange receives a new order (Order 3) to buy 10 contracts at $1.17. This order is more aggressive than the Book price and crosses the opposite NBBO, therefore the Liquidity Exposure Timer immediately ends.

<u>Trade Allocation Following the End of the Liquidity Exposure Process</u>

Proposed rule 515(c)(2)(i)(B) provides that at the end of the timer, the initiating order, resting liquidity, and any same side joining interest will (i) be handled in accordance to Exchange Rule 515, Execution of Orders and Quotes, or (ii) trade against opposite side interest in the following sequence: Resting interest will be filled first, followed by joining interest in the order it was received. Opposite side interest will be allocated in accordance to the Exchange's standard allocation, as described in Exchange Rule 514, Priority of Quotes and Orders.

The Exchange also proposes to amend subsection (f)(2)(vii)(B)(5) of Rule 503, Openings on the Exchange. Currently the rule provides that if there is an opening transaction, any unexecuted contracts from the imbalance not traded or routed will be cancelled back to the entering Member if the price for those contracts crosses the opening price, unless the Member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. The Exchange now proposes to amend the rule to adopt a new provision to state that unexecuted contracts that are from a non-Market Maker order in a Proprietary Product, in which case the remaining size will be placed on the Book with a protected price equal to the opening price and the Liquidity Exposure Process, as defined in Exchange Rule 515(c)(2)(i), will begin immediately after the Opening Process is complete.

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act[19] in general, and furthers the objectives of Section 6(b)(5) of the Act[20] 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

[19] 15 U.S.C. 78f(b).

[20] 15 U.S.C. 78f(b)(5).

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

The Exchange believes that adopting definitions for Proprietary Products and Non-Proprietary Products on the Exchange adds additional detail to the Exchange's Rulebook and promotes transparency and clarity in the Exchange's rules. The new proposed definitions allow the Exchange to distinguish between two separate and distinct classes of options listed on the Exchange and to describe rules that may be applicable to one class and not the other. The Exchange believes its proposal will promote just and equitable principles of trade and 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, by creating a clear distinction between Proprietary and Non-Proprietary Products on the Exchange and the rules applicable to each separately and collectively.

The price protection process for non-Market Maker orders in Proprietary Products described herein 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 providing price protection and order handling to over-sized orders in Proprietary Products. The Exchange believes that Proprietary Product and Non-Proprietary Product orders should have separate price protection processes due to the inherent differences between these classes of options. The price protection process for non-Market Maker orders in Non-Proprietary Products cancels the order or the remaining contracts of an order when triggered.[21] Non-Proprietary

[21] See supra note 4.

Products, by definition, may be listed on multiple venues, therefore the Exchange believes returning these orders to the Member for analysis and evaluation to be in the best interest of the Member as the Member may choose to re-price and re-submit the order to the Exchange or to route the order to another market center entirely. Conversely, Proprietary Products, by definition, may be exclusively traded on the Exchange, therefore a new price protection process is warranted as canceling non-Market Maker orders in Proprietary Products whose price protection limit has been triggered may not provide a benefit to the Member, as there is no other market center from which to seek an execution.[22]

The Exchange believes that its proposal 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, as the proposed price protection process and order handling for over-sized orders in Proprietary Products is similar to drill-through price protection offered on other exchanges. The Exchange's proposed Liquidity Exposure Process operates in a similar fashion to the drill through protection provided by the Cboe Exchange.[23] The Cboe Exchange will establish a price threshold for an order for a buy as a predetermined amount of minimum price intervals above the NBO,[24] or if the order is a sell, as a predetermined amount of minimum price intervals below the NBB.[25] (which may be no less than two minimum increment ticks in either case).[26] If the unexecuted portion of an order

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22 The Exchange notes that a Member who believes that an execution has occurred at an erroneous price may avail themselves of the protections provided in Exchange Rule 521, Nullification and Adjustment of Options Transactions Including Obvious Errors.

23 See Cboe Exchange Rule 6.13(b)(v)(B).

24 National Best Offer.

25 National Best Bid.

26 See Cboe Exchange Rule 6.13(b)(v)(B)(I).

would execute at a subsequent price through the threshold price (higher for a buy and lower for a sell), also known as the drill through price, the System will not automatically execute that part of the order and will instead expose that portion at the better of the NBBO and the drill through price. The exposure period (which the Exchange determines and announces via Regulatory Circular and will not be in excess of three seconds)[27] provides an additional opportunity for execution of these orders (or unexecuted portion). One difference is that the Cboe will cancel the order (or any unexecuted portion) that does not execute during that time period,[28] whereas under the Exchange's proposal the order will not be canceled, as the Exchange does not believe it is the best interest of the Member to return an order in a Proprietary Product that ultimately may only be executed on the Exchange.

The Exchange believes that its proposed change to the Opening Process for when there is an opening transaction in a Proprietary Product to assign such unexecuted contracts with a protected price equal to the opening price and to subject the order to the Liquidity Exposure Process promotes just and equitable principles of trade, 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. Specifically, under the Exchange's current rule, during the Exchange's Opening Process as described in Rule 503(f)(2)(vii)(B)(5), if there is an opening transaction, any unexecuted contracts from the imbalance not traded or routed are cancelled back to the entering Member if the price for those contracts crosses the opening price. The Exchange believes that in this situation canceling the unexecuted contracts back to the Member allows the Member the opportunity to reevaluate its order and possibly resubmit the order to the Exchange

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27 See Cboe Exchange Rule 6.13(b)(v)(B)(III).

28 See Securities Exchange Act Release No. 79244 (November 4, 2016), 81 FR 79063 (November 10, 2016) (SR-CBOE-2016-053).

with a different price or to submit the order to another market center completely. If, however, the order was for a Proprietary Product, canceling the unexecuted contracts back to the Member would not be in the Member's best interest as there may be no other market center for the Member to re-send the order. Therefore, under the proposed rule if the unexecuted contracts are from a non-Market Maker order in a Proprietary Product, the remaining contracts will be placed on the Book with a protected price equal to the opening price and the Liquidity Exposure Process will begin immediately after the Opening Process is complete. By definition Proprietary Products may be exclusively listed on the Exchange and the Exchange believes it is in the best interest of the investor to provide a mechanism by which an investors' order in a Proprietary Product may ultimately be filled.

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

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

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition as the proposed rule changes are designed to facilitate the handling of orders in Proprietary Products on the Exchange. By definition Proprietary Products may be listed exclusively on the Exchange, and therefore have no impact on inter-market competition.

The Exchange's proposed adoption of definitions for Proprietary Products and Non-Proprietary Products adds clarity and precision to the Exchange's rules. The Exchange's proposed adoption of a price protection process and management process for over-sized orders in Proprietary Products is designed to benefit market participants that transact in Proprietary Products on the Exchange. The Exchange believes that the proposed rule changes will benefit investors and the marketplace as a whole.

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

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

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

6. Extension of Time Period for Commission Action

Not applicable.

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

Not applicable

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

The proposed rule change to Exchange Rule 100 to define Proprietary Products is similar to the definition for exclusively listed options found in the rules of others exchanges. For example, Nasdaq ISE Rule 508(a)(1)(i) defines the term "exclusively listed option" as "an option that is listed exclusively by the exchange (because the exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option)."[29]

The Exchange notes that its Liquidity Exposure Process operates in a similar fashion to the drill through protection provided by the Cboe Exchange in Cboe Exchange Rule 6.13(b)(v). Both processes establish a threshold price (with the minimum price being two trading increments away from either the NBB or NBO depending on the side of the order), that when triggered, causes the order to be exposed for a period not to exceed three seconds, at its trigger price.

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29 See also Cboe Exchange Rule 6.16(a)(1)(A).

However, unlike the Cboe process, the Exchange does not cancel the order or any portion of the order that is not filled during the exposure period.

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2018-35)

November__, 2018

Self-Regulatory Organizations: Notice of Filing of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Exchange Rule 100, Definitions; Rule 515, Execution of Orders and Quotes; and Rule 503, Openings on the Exchange

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 November 9, 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 100, Definitions; Rule 515, Execution of Orders and Quotes; and Rule 503, Openings 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.

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

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

2 17 CFR 240.19b-4.

in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend certain rules in connection with the listing and trading of non-multi-listed option products on the Exchange that are proprietary to the Exchange. Specifically, the Exchange proposes to amend (i) Rule 100, Definitions, to adopt two new definitions; (ii) Rule 515, Execution of Orders and Quotes, to adopt a new price protection provision; and (iii) Rule 503, Openings on the Exchange, to adopt new rule text for processing certain orders during the Opening Process.

Specifically, the Exchange proposes to amend Exchange Rule 100, Definitions, to adopt new definitions for the terms “Proprietary Product” and “Non-Proprietary Product.” The proposed definition of a Proprietary Product is, “a class of options that is listed exclusively on the Exchange and any of its affiliates,” while the proposed definition of a Non-Proprietary Product is, “a class of options that is not a Proprietary Product.” The Exchange believes that these proposed new definitions will add clarity, precision, and ease of reference to the Exchange’s rules when such rules discuss different system functionality for a particular class of options that is a Proprietary Product versus a Non-Proprietary Product.

The Exchange also proposes to amend Exchange Rule 515, Execution of Orders and Quotes, so that it applies only to Non-Proprietary Products. (The Exchange is proposing to adopt a new price protection rule (discussed below) that will apply only to Proprietary Products.) Currently, subsection (c)(1), Price Protection on Non-Market Maker Orders, describes a price protection process for all non-Market Maker[3] orders received during a trading session. The price protection process prevents an order from being executed beyond the price designated in the order's price protection instructions (the "price protection limit"). When triggered, the price protection process will cancel an order or the remaining contracts of an order.[4] However, not all order types currently available on the Exchange are eligible for price protection, due to the nature of the order type and its intended use. Specifically, the rule currently provides that the price protection process set forth in Rule 515(c)(1) does not apply to Intermarket Sweep Orders ("ISO"),[5] Immediate or Cancel ("IOC") orders,[6] or Fill-or-Kill ("FOK") orders.[7]

The Exchange now proposes to amend the heading of subsection (c)(1) to read, "Price Protection on Non-Market Maker Orders in Non-Proprietary Products" so that it only applies to Non-Proprietary Products. The Exchange believes that this change will help distinguish the price protection process provided for non-Market Maker orders in Non-Proprietary Products from the proposed price protection process for non-Market Maker orders in Proprietary Products as discussed below.

The Exchange proposes to adopt new subsection (c)(2), entitled, "Price Protection on Non-Market Maker Orders in Proprietary Products." Under this proposal the System will apply the following price protection process to all non-Market Maker orders in Proprietary Products received during a regular trading session that are larger than, and priced through, the opposite

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3 The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

4 See Exchange Rule 515(c)(1).

5 See Exchange Rule 516(f).

6 See Exchange Rule 516(c).

7 See Exchange Rule 516(b)(2).

side NBBO.[8] The price protection process provides exposure and time for market responses at defined price levels during the price protection process. To establish the price level, the System[9] will calculate a protection price limit for each order eligible for price protection by adding (subtracting) a set number of MPVs[10] if the order is a buy (sell) to (i) the opposite side NBBO, (ii) the previous protection limit price, or (iii) in certain circumstances the limit price of same side joining interest after the expiration of the liquidity exposure process timer as described more fully below. The number of MPVs will be determined by the Exchange and announced to Members[11] through a Regulatory Circular, provided that the minimum shall be no less than two (2) MPVs and the maximum shall be no more than twenty (20) MPVs.

The price protection process described above will not apply to Intermarket Sweep Orders (ISOs)[12] or Auction or Cancel (AOC) orders.[13] Intermarket Sweep Orders are a special order

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

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

10 The term MPV means Minimum Price Variation. See Exchange Rule 510.

11 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.

12 Intermarket Sweep Order ("ISO") means a limit order for an option series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the option series with a price that is superior to the limit price of the ISO. A Member may submit an Intermarket Sweep Order to the Exchange only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the Intermarket Sweep Order. See Exchange Rule 1400(h).

13 See Exchange Rule 516(b)(4).

type designed to prevent "trade-throughs."[14] ISOs are immediately executable in the System and are not eligible for routing to another exchange. An Auction or Cancel order is a limit order used to provide liquidity during a specific Exchange process (such as the Opening Imbalance process described in Rule 503) with a time in force that corresponds with that event. AOC orders are not displayed to any market participant, are not included in the MBBO[15] and therefore not eligible for trading outside of the event, may not be routed, and may not trade at a price inferior to the away markets.[16]

Price protection is provided to orders on the Exchange to prevent executions at erroneous prices. The use of Intermarket Sweep Orders is a key component of the trade-through exemption provided by Rule 611 of Reg NMS[17] and applying a price protection limit to these types of orders may prevent them from achieving their intended purpose. Similarly, Auction or Cancel orders are submitted for a specific purpose and applying a price protection limit is unnecessary. AOC orders are used to provide liquidity during a specific Exchange process with a time in force that corresponds with the event and are not eligible for trading outside of the event.

The Exchange now proposes to adopt new subsection (c)(2)(i) to provide a Liquidity Exposure Process ("LEP") for over-sized orders in Proprietary Products. Interest that would be posted, managed, or that would trade at a price more aggressive than the order's protected price will be subject to the LEP for oversized orders in Proprietary Products. To begin the LEP, the System will broadcast a liquidity exposure message to all subscribers of the Exchange's data

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14 Trade-through means the purchase or sale of an NMS stock during regular trading hours, either as principal or agent, at a price that is lower than a protected bid or higher than a protected offer. 17 CFR 242.600(b)(77).

15 The term "MBBO" means the best bid or offer on the Exchange. See Exchange Rule 100.

16 See Exchange Rule 516(b)(4).

17 17 CFR 242.611(b)(5).

feeds which will include the symbol, side of the market, quantity of matched contracts, the imbalance quantity, "must fill" quantity, and price. Additionally, the System will start a Liquidity Exposure Process timer, not to exceed three (3) seconds, as determined by the Exchange and announced via Regulatory Circular.

All market participants can respond to the liquidity exposure broadcast message. The System will evaluate interest received during the Liquidity Exposure Process based on price and the side of the market relative to the side of the market of the initiating order. During the Liquidity Exposure Process if the Exchange receives interest on the opposite side of the market from the initiating order that locks or crosses the Book price of the interest subject to the LEP, the interest will trade, with resting liquidity executed prior to joining liquidity.

Example 1

MPV: 0.01
LEP Increment: 5

The Exchange has two orders resting on its Book:[18]

Order 1 is to sell 10 contracts at $1.10
Order 2 is to sell 20 contracts at $1.20.

MBBO: 1.00(10) x 1.10(10)
NBBO: 1.00(10) x 1.10(10)

The Exchange receives a new order (Order 3) to buy 20 contracts at $1.20.

When the order is received it is assigned a price protection limit that is calculated by adding 5 MPVs to the opposite side NBBO, therefore the price protection limit for Order 3 is $1.15.

Order 3 buys 10 contracts from Order 1 at $1.10.

Since Order 3 would now trade at a price ($1.20) more aggressive than its protected price ($1.15). The System will initiate the Liquidity Exposure Process at the protected price of $1.15.

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18 The term "Book" means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

The System will broadcast a liquidity exposure message to all subscribers of the Exchange's data feed, and begin a timer, not to exceed three (3) seconds, as determined by the Exchange.

During the Liquidity Exposure Process the Exchange receives a new order (Order 4) to sell 10 contracts at $1.15. This order locks the current same side Book Price of $1.15 and Order 4 sells 10 contracts to Order 3 at $1.15, filling Order 3 and ending the Liquidity Exposure Process.

Order 2, sell 20 contracts at $1.20, remains on the Book.

During the Liquidity Exposure Process if the Exchange receives interest on the same side of the market as the initiating order that is priced more aggressively than the Book price of the interest subject to the LEP that also locks or crosses the opposite side NBBO, the System will immediately terminate the timer.

<u>Example 2</u>

MPV: 0.01
LEP Increment: 5

The Exchange has one order resting on its Book:

Order 1 is to sell 10 contracts at $1.10.

MBBO: 1.00(10) x 1.10(10)
NBBO: 1.00(10) x 1.10(10)

The Exchange receives a new order (Order 2) to buy 20 contracts at $1.20.

When the order is received it is assigned a price protection limit that is calculated by adding 5 MPVs to the opposite side NBBO, therefore the price protection limit for Order 2 is $1.15.

Order 2 buys 10 contracts from Order 1 at $1.10.

Since Order 2 would now trade at a price ($1.20) more aggressive than its protected price ($1.15). The System will initiate the Liquidity Exposure Process at the protected price of $1.15.

During the Liquidity Exposure Process the Exchange receives a new order (Order 3) to buy 10 contracts at $1.17. This order is more aggressive than the Book price and crosses the opposite NBBO, therefore the Liquidity Exposure Timer immediately ends.

<u>Trade Allocation Following the End of the Liquidity Exposure Process</u>

Proposed rule 515(c)(2)(i)(B) provides that at the end of the timer, the initiating order, resting liquidity, and any same side joining interest will (i) be handled in accordance to

Exchange Rule 515, Execution of Orders and Quotes, or (ii) trade against opposite side interest in the following sequence: Resting interest will be filled first, followed by joining interest in the order it was received. Opposite side interest will be allocated in accordance to the Exchange's standard allocation, as described in Exchange Rule 514, Priority of Quotes and Orders.

The Exchange also proposes to amend subsection (f)(2)(vii)(B)(5) of Rule 503, Openings on the Exchange. Currently the rule provides that if there is an opening transaction, any unexecuted contracts from the imbalance not traded or routed will be cancelled back to the entering Member if the price for those contracts crosses the opening price, unless the Member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. The Exchange now proposes to amend the rule to adopt a new provision to state that unexecuted contracts that are from a non-Market Maker order in a Proprietary Product, in which case the remaining size will be placed on the Book with a protected price equal to the opening price and the Liquidity Exposure Process, as defined in Exchange Rule 515(c)(2)(i), will begin immediately after the Opening Process is complete.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act[19] in general, and furthers the objectives of Section 6(b)(5) of the Act[20] 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

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19 15 U.S.C. 78f(b).

20 15 U.S.C. 78f(b)(5).

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

The Exchange believes that adopting definitions for Proprietary Products and Non-Proprietary Products on the Exchange adds additional detail to the Exchange's Rulebook and promotes transparency and clarity in the Exchange's rules. The new proposed definitions allow the Exchange to distinguish between two separate and distinct classes of options listed on the Exchange and to describe rules that may be applicable to one class and not the other. The Exchange believes its proposal will promote just and equitable principles of trade and 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, by creating a clear distinction between Proprietary and Non-Proprietary Products on the Exchange and the rules applicable to each separately and collectively.

The price protection process for non-Market Maker orders in Proprietary Products described herein 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 providing price protection and order handling to over-sized orders in Proprietary Products. The Exchange believes that Proprietary Product and Non-Proprietary Product orders should have separate price protection processes due to the inherent differences between these classes of options. The price protection process for non-Market Maker orders in Non-Proprietary Products cancels the order or the remaining contracts of an order when triggered.[21] Non-Proprietary Products, by definition, may be listed on multiple venues, therefore the Exchange believes

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[21] See supra note 4.

returning these orders to the Member for analysis and evaluation to be in the best interest of the Member as the Member may choose to re-price and re-submit the order to the Exchange or to route the order to another market center entirely. Conversely, Proprietary Products, by definition, may be exclusively traded on the Exchange, therefore a new price protection process is warranted as canceling non-Market Maker orders in Proprietary Products whose price protection limit has been triggered may not provide a benefit to the Member, as there is no other market center from which to seek an execution.[22]

The Exchange believes that its proposal 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, as the proposed price protection process and order handling for over-sized orders in Proprietary Products is similar to drill-through price protection offered on other exchanges. The Exchange's proposed Liquidity Exposure Process operates in a similar fashion to the drill through protection provided by the Cboe Exchange.[23] The Cboe Exchange will establish a price threshold for an order for a buy as a predetermined amount of minimum price intervals above the NBO,[24] or if the order is a sell, as a predetermined amount of minimum price intervals below the NBB.[25] (which may be no less than two minimum increment ticks in either case).[26] If the unexecuted portion of an order would execute at a subsequent price through the threshold price (higher for a buy and lower for a sell), also known as the drill through price, the System will not automatically execute that part of

22 The Exchange notes that a Member who believes that an execution has occurred at an erroneous price may avail themselves of the protections provided in Exchange Rule 521, Nullification and Adjustment of Options Transactions Including Obvious Errors.

23 See Cboe Exchange Rule 6.13(b)(v)(B).

24 National Best Offer.

25 National Best Bid.

26 See Cboe Exchange Rule 6.13(b)(v)(B)(I).

the order and will instead expose that portion at the better of the NBBO and the drill through price. The exposure period (which the Exchange determines and announces via Regulatory Circular and will not be in excess of three seconds)[27] provides an additional opportunity for execution of these orders (or unexecuted portion). One difference is that the Cboe will cancel the order (or any unexecuted portion) that does not execute during that time period,[28] whereas under the Exchange's proposal the order will not be canceled, as the Exchange does not believe it is the best interest of the Member to return an order in a Proprietary Product that ultimately may only be executed on the Exchange.

The Exchange believes that its proposed change to the Opening Process for when there is an opening transaction in a Proprietary Product to assign such unexecuted contracts with a protected price equal to the opening price and to subject the order to the Liquidity Exposure Process promotes just and equitable principles of trade, 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. Specifically, under the Exchange's current rule, during the Exchange's Opening Process as described in Rule 503(f)(2)(vii)(B)(5), if there is an opening transaction, any unexecuted contracts from the imbalance not traded or routed are cancelled back to the entering Member if the price for those contracts crosses the opening price. The Exchange believes that in this situation canceling the unexecuted contracts back to the Member allows the Member the opportunity to reevaluate its order and possibly resubmit the order to the Exchange with a different price or to submit the order to another market center completely. If, however, the order was for a Proprietary Product, canceling the unexecuted contracts back to the Member would not be in the Member's best interest as there may be no other market center for the

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27 See Cboe Exchange Rule 6.13(b)(v)(B)(III).

28 See Securities Exchange Act Release No. 79244 (November 4, 2016), 81 FR 79063 (November 10, 2016) (SR-CBOE-2016-053).

Member to re-send the order. Therefore, under the proposed rule if the unexecuted contracts are from a non-Market Maker order in a Proprietary Product, the remaining contracts will be placed on the Book with a protected price equal to the opening price and the Liquidity Exposure Process will begin immediately after the Opening Process is complete. By definition Proprietary Products may be exclusively listed on the Exchange and the Exchange believes it is in the best interest of the investor to provide a mechanism by which an investors' order in a Proprietary Product may ultimately be filled.

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

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

The Exchange does not believe the proposed rule change will impose any burden on inter-market competition as the proposed rule changes are designed to facilitate the handling of orders in Proprietary Products on the Exchange. By definition Proprietary Products may be listed exclusively on the Exchange, and therefore have no impact on inter-market competition.

The Exchange's proposed adoption of definitions for Proprietary Products and Non-Proprietary Products adds clarity and precision to the Exchange's rules. The Exchange's proposed adoption of a price protection process and management process for over-sized orders in Proprietary Products is designed to benefit market participants that transact in Proprietary Products on the Exchange. The Exchange believes that the proposed rule changes will benefit investors and the marketplace as a whole.

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2018-35 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-2018-35. 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-2018-35 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.[29]

Brent J. Fields
Secretary

[29] 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 100. Definitions

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Non-Customer Order
The term "**Non-Customer Order**" means an order for the account of a Non-Customer.

Non-Proprietary Product
The term "**Non-Proprietary Product**" means a class of options that is not a Proprietary Product.

Offer
The term "**offer**" means a limit order or quote to sell one or more option contracts.

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Professional Interest
The term "**Professional Interest**" means (i) an order that is for the account of a person or entity that is not a Priority Customer, or (ii) an order or non-priority quote for the account of a Market Maker.

Proprietary Product
The term "**Proprietary Product**" means a class of options that is listed exclusively on the Exchange and any of its affiliates.

Public Customer
The term "**Public Customer**" means a person that is not a broker or dealer in securities.

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Rule 503. Openings on the Exchange

(a) – (e) No change.

(f) **Opening Process**

(1) No change.

(2) If there are quotes or orders that lock or cross each other, the System will open by following the Opening Process detailed below.

(i) - (vi) No change.

(vii) **Imbalance Process.** If all opening marketable size cannot be completely executed at or within the EQR without trading at a price inferior to the ABBO, or cannot trade at or within the quality opening market range in the absence of a valid width NBBO, the System will automatically institute the following imbalance process:

(A) No change.

(B) If at the conclusion of the Timer, quotes and orders submitted during the Imbalance Timer, or other changes to the ABBO, would not allow the entire imbalance amount to trade at the Exchange at or within the EQR without trading at a price inferior to the ABBO, the System will:

1. – 4. No change.

5. Except as set forth in subsection a. below, if after that number of times the System still cannot route and/or trade the entire imbalance amount, the System will open as many contracts as possible by routing to other markets with prices better than the Exchange opening price for their disseminated size, trade available contracts on the Exchange at the opening price and route to other markets at prices equal to the Exchange opening price for their disseminated size. In this situation, the System will price any contracts routed to other markets at the away market price. If there is an opening transaction, any unexecuted contracts from the imbalance not traded or routed will be cancelled back to the entering Member if the price for those contracts crosses the opening price, unless (i) the Member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order, or (ii) such unexecuted contracts are from a non-Market Maker order in a Proprietary Product, in which case the remaining size will be placed on the Book with a protected price equal to the opening price and the Liquidity Exposure Process, as defined in Exchange Rule 515(c)(2)(i) will begin immediately after the Opening Process is complete. However, in a series where the EQR has been calculated to be zero on the bid side and market order sell interest has a quantity greater than all of the buy interest, the System will treat the market order(s) like a limit order(s) to sell at the lowest Minimum Trading Increment and the Opening Process will be satisfied with an opening price at the lowest Minimum Increment with any remaining balance of the sell order(s) being placed on the Book in time priority and made available for execution following the Opening Process.

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Rule 515. Execution of Orders and Quotes

(a) – (b) No change.

(c) **Non-Market Maker Orders That Could Not Be Executed or Could Not Be Executed in Full at the Original NBBO Upon Receipt.** An incoming non-Market Maker order that could not be executed or could not be executed in full at the original NBBO upon receipt will be handled in accordance with the following provisions. In addition, non-Market Maker orders that are reevaluated by the System for execution pursuant to an order's price protection instructions that could not be executed or could not be executed in full at the NBBO at the time of reevaluation will be handled in accordance with the following provisions. The following paragraphs will apply to orders both (i) upon receipt by the System, and (ii) upon reevaluation by the System for execution and according to the price protections designated on the order. The term "initiating order" will be used in the following paragraphs to refer to (i) the incoming order that could not be executed, (ii) the order reevaluated by the System for execution that could not be executed, or (iii) the remaining contracts of the incoming order or reevaluated order that could not be executed in full. The term "original NBBO" will be used in the following paragraphs to refer to the NBBO that existed at time of receipt of the initiating order or the NBBO at time of reevaluation of an order pursuant to Rule 515.

(1) **Price Protection on Non-Market Maker Orders in Non-Proprietary Products**. The System will apply the following price protection process to all non-Market Maker orders received during a trading session. The price protection process prevents an order from being executed beyond the price designated in the order's price protection instructions (the "price protection limit"). The price protection instructions are expressed in units of MPV away from the NBBO at the time of the order's receipt, or the MBBO if the ABBO is crossing the MBBO. Market participants may designate price protection instructions on an order by order basis within a minimum and maximum number of MPVs away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO. The minimum and maximum number of MPVs will be determined by the Exchange and announced to Members through a Regulatory Circular, provided that the minimum shall be no less than zero (0) MPVs and the maximum shall be no more than twenty (20) MPVs. If an order does not contain price protection instructions, the Exchange will assign a default price protection instruction, which will be within one (1) to five (5) MPVs away from the NBBO at the time of receipt, or the MBBO if the ABBO is crossing the MBBO, which default price protection instruction shall be determined by the Exchange and announced to Members through a Regulatory Circular. When triggered, the price protection process will cancel an order or the remaining contracts of an order. The System will not execute such orders at prices inferior to the current NBBO. The price protection process set forth in this paragraph (c)(1) will not apply to orders received (A) prior to the open or during a trading halt; or (B) during a prior trading session and that remain on the Book following the opening process (as described in Rule 503). Further, the price protection process set forth in this paragraph (c)(1) will not apply to Intermarket Sweep Orders ("ISO"), which will be handled in accordance with paragraph (g) below. Immediate or Cancel ("IOC") orders will be handled in accordance with paragraph (e) below, and Fill-or-Kill ("FOK") orders will be handled in accordance with paragraph (f) below. The System will handle Market Maker quotes and orders in accordance with paragraph (d) below.

(2) **Price Protection on Non-Market Maker Orders in Proprietary Products**. The System will apply the following price protection process to all non-Market Maker orders received during a regular trading session that are larger than, and priced through, the opposite side NBBO. The price protection process provides exposure and time for market responses at defined price levels. A protection price limit is calculated by adding (subtracting) a set number

of MPVs if the order is a buy (sell) to (i) the opposite side NBBO, (ii) the previous protection limit price; or (iii) in certain circumstances the limit price of same side joining interest after the expiration of the liquidity exposure process timer as discussed in paragraph (2)(i) below. The number of MPVs will be determined by the Exchange and announced to Members through a Regulatory Circular, provided that the minimum shall be no less than two (2) MPVs and the maximum shall be no more than twenty (20) MPVs. Further, the price protection process set forth in this paragraph (2) will not apply to Intermarket Sweep Orders (ISOs) or Auction or Cancel (AOC) orders.

(i) Liquidity Exposure Process ("LEP") for Over-Sized Orders in Proprietary Products. Interest that would be posted, managed, or would trade at a price more aggressive than the order's protected price will be subject to the LEP for over-sized orders in Proprietary Products. First, the System will broadcast a liquidity exposure message (which includes the symbol, side of the market, quantity of matched contracts, the imbalance quantity, "must fill" quantity, and price) to all subscribers of the Exchange's data feeds, and begin a timer, not to exceed three (3) seconds, as determined by the Exchange and announced via Regulatory Circular.

(A) During the Liquidity Exposure Process. During the LEP, the following provisions will apply:

(i) All market participants can respond to the liquidity exposure message broadcast during the LEP;

(ii) If the interest subject to the LEP is cancelled or fully traded, the LEP ends;

(iii) If the Exchange receives interest on the opposite side of the market from the initiating order that locks or crosses the Book price of the interest subject to the LEP, the interest will trade, with resting liquidity executed prior to joining liquidity;

(iv) If the Exchange receives interest on the same side of the market as the initiating order that is priced more aggressively (but not through the NBBO) than the Book price of the interest subject to the LEP, the interest will join the interest subject to the LEP at its Book Price;

(v) If the Exchange receives interest on the same side of the market as the initiating order that is priced more aggressively than the Book price of the interest subject to the LEP that also locks or crosses the opposite side NBBO, the System will immediately terminate the timer and treat the new interest as joining liquidity for allocation purposes.

(B) End of Liquidity Exposure Process. At the end of the timer, the initiating order, resting liquidity, and any same side joining interest received during the timer will (i) be handled in accordance to Exchange Rule 515, or (ii) trade against opposite side interest in the following sequence: Resting interest will be filled first, followed by joining interest in the order it was received; interest on the opposite side will be allocated in accordance to the Exchange's standard allocation, as defined in Exchange Rule 514, Priority of Quotes and Orders.

([2]3) **Liquidity Refresh Pause for Exhausted Market Maker Quotes.** The System will pause the market for a time period not to exceed one second to allow additional orders or quotes refreshing the liquidity at the MBBO to be received ("liquidity refresh pause") when at the time of receipt or reevaluation of the initiating order by the System: (A) either the initiating order is a limit order whose limit price crosses the NBBO or the initiating order is a market order, and the limit order or market order could only be partially executed; (B) a Market Maker quote was all or part of the MBBO when the MBBO is alone at the NBBO; and (C) and the Market Maker quote was exhausted.

At the start of the liquidity refresh pause, the System will broadcast a liquidity refresh message to subscribers of the Exchange's data feeds, providing a description of the option and the size and side of the order and the exhausted MBBO price. In addition, during the liquidity refresh pause the System will display the remainder of the initiating order at the exhausted MBBO price, and on the opposite side of the market, the Exchange's next bid (or offer) as non-firm (or in the absence thereof, a price of zero with a size of zero). If the NBBO was crossed when the initiating order was received, the System will continue to process the initiating order in accordance with paragraph (c) of this Rule and will not pause the market or broadcast a liquidity refresh message.

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