

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

**Description**

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

Amend Exchange Rules 503, 1801, and 1802 to add defintions related to SPIKES.

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

**Signature**

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

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

(Title \*)

Date	Senior Associate Counsel	
05/20/2019		
By		
Gregory P. Ziegler		
(Name *)		

gziegler@miami-holdings.com

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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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 \***

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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**

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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**

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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**

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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**

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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**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of the Proposed Rule Change**

(a) Miami International Securities Exchange, LLC (“MIAX Options” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend Exchange Rule 1801, Definitions; Rule 503, Openings on the Exchange; and Rule 1802, Designation of an Index.

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 January 31, 2019. 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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 1801, Definitions, to adopt new definitions to provide additional detail and clarity in the Exchange's Rules. Additionally, the Exchange proposes to amend Exchange Rule 503, to remove rule text that is being replaced in this proposal, and to make minor edits to conform the existing rule text to the definitions contained in this proposal. The Exchange also proposes to amend Exchange Rule 1802, Designation of an Index, to correct an internal cross reference which is changing under this proposal.

On October 12, 2018, the Exchange received approval from the Securities and Exchange Commission ("SEC" or "Commission") to list and trade on the Exchange, options on the SPIKES™ Index, a new index that measures expected 30-day volatility of the SPDR S&P 500 ETF Trust (commonly known and referred to by its ticker symbol, "SPY").<sup>3</sup> To establish the settlement value for the Index, a settlement auction, named the SPIKES Special Settlement Auction, will be conducted on the day the settlement value for the Index is to be calculated. The Index settlement price calculation includes all SPY options that expire 30 days after the SPIKES settlement. In the Exchange's filing these options are referred to as the "constituent options".<sup>4</sup> The Exchange now proposes to amend Exchange Rule 1801 to adopt a definition for "constituent option series" to include all option series listed on the Exchange that are used to calculate the

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<sup>3</sup> See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (SR-MIAX-2018-14) (Order Granting Approval of a Proposed Rule Change by Miami International Securities Exchange, LLC to List and Trade on the Exchange Options on the SPIKES™ Index).

<sup>4</sup> Id.

exercise or final settlement value, as applicable, of expiring volatility index derivatives. The Exchange believes adopting a definition for constituent option series improves the clarity and precision of the Exchange's rulebook.

In the SPIKES Special Settlement Auction, in addition to any order types that may be regularly accepted by the Exchange, the Exchange will also accept settlement auction only orders ("SAO Orders") and settlement auction only eQuotes ("SAO eQuotes") (SAO Orders and SAO eQuotes are collectively referred to as "SAOs") at any time after the opening of the Live Order Window ("LOW")<sup>5</sup> and the Live Quote Window ("LQW"),<sup>6</sup> respectively. SAOs are specific order types that allow a Member<sup>7</sup> to voluntarily tag such order as a SPIKES strategy order, defined below. In general, even if not tagged, the Exchange will consider orders to be SPIKES strategy orders if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the "at-the-money" strike price and for call options with strike prices greater than the "at-the-money" strike price. They may also be for put and call options with "at-the-money" strike prices.

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<sup>5</sup> The Exchange notes that the current Live Order Window opens at 7:30 A.M.

<sup>6</sup> The Exchange notes that the current Live Quote Window setting opens at 9:25 A.M., however the Exchange plans to open the Live Quote Window for the SPIKES Special Settlement Auction at 8:30 A.M.

<sup>7</sup> The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

The Exchange now proposes to amend Rule 1801 to adopt a definition of a “Strategy Order” which provides that the Exchange deems individual orders (considered collectively) a market participant submits for participation in the modified opening procedure, as described in Interpretation and Policy .03 of Rule 503, to be a “strategy order,” based on related facts and circumstances considered by the Exchange, only if the orders: (1) relate to the market participant’s positions in expiring volatility index derivatives; (2) are for option series with the expiration that the Exchange will use to calculate the exercise or final settlement value, as applicable, of the applicable volatility index derivative; (3) are for option series with strike prices approximating the range of series that are later determined to constitute the constituent option series for the applicable expiration; (4) are for put (call) options with strike prices equal to or less (greater) than the “at-the-money” strike price; and (5) have quantities approximating the weighting formula used to determine the exercise or final settlement value, as applicable, in accordance with the applicable volatility index methodology. The Exchange notes that the characteristics identified in subparagraphs (1) – (4) currently exist in Exchange Rule 503. The fifth characteristic enumerated in subparagraph (5) is not listed in the current rule as a requirement for orders to be deemed strategy orders. However, the Exchange believes adopting this provision will help in determining whether orders are strategy orders. The Exchange notes that the proposed five provisions to be adopted under this proposal are identical to the five provisions used for identifying strategy orders found in Cboe Exchange Rule 6.2.<sup>8</sup>

The Exchange also proposes to amend Rule 1801 to adopt a definition for a non-strategy order as any order (including an order in a constituent option series) a market participant submits

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<sup>8</sup> See Cboe Exchange Rule 6.2, Interpretation and Policy .01.

for participation in the modified opening procedure, as described in Interpretation and Policy .03 of Rule 503, that is not a strategy order (or a change to or cancellation of a strategy order).

Additionally, the Exchange proposes to make a number of non-substantive changes to Rule 1801 to renumber existing definitions to allow the Exchange to insert the proposed definitions, “constituent option series,” “non-strategy order,” and “strategy order,” into the proper alphabetically ordered position among currently existing definitions.

The Exchange believes the proposed definitions provide market participants with more clarity with respect to what constitutes a strategy order and a non-strategy order. The Exchange believes this added clarity may increase liquidity on volatility index settlement dates, as it provides more certainty with respect to which orders may be submitted prior to the strategy cut-off time and which orders may be submitted after that time.

Further, the Exchange proposes to amend paragraph (c)(2) of Interpretation and Policy .03 of Exchange Rule 503 to remove the text that states, “[i]n general, the Exchange will consider orders to be SPIKES strategy orders for purposes of this Interpretation and Policy .03, if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the ‘at-the-money’ strike price and for call options with strike prices greater than the ‘at-the-money’ strike price. They may also be for put and call options with ‘at-the-money’ strike prices.” This text is being updated by the definition for a strategy order contained in this proposal.

Finally, the Exchange proposes to amend paragraph (b), (c), subparagraph (c)(1) and (c)(2), paragraph (d), paragraph (e), subparagraph (e)(1) and subparagraph (e)(2) of Interpretation and Policy .03 of Rule 503, to replace “SPIKES strategy order” with the term “strategy order” and to replace “SPIKES non-strategy order” with the term “non-strategy order,” as defined in this proposal. The Exchange also proposes to include an internal cross reference to the location of each definition in the Exchange’s rulebook. Additionally, the Exchange proposes to correct an internal cross reference in Rule 1802(d)(1) from subparagraph (k) to new proposed subparagraph (l).

The Exchange believes that these changes will add clarity and precision to the Exchange’s rulebook.

b. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes the proposed definition of a strategy order provides market participants with additional clarity regarding what orders constitute strategy orders and the Exchange believes this added clarity benefits investors and promotes just and equitable

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).



principles of trade. The proposed rule change with respect to the definition of strategy orders and enumerating the characteristics of a strategy orders as defined in subparagraphs (1) – (4) is consistent with the current definition of SPIKES strategy orders and the Exchange’s view of what orders constitute a strategy order, as well as the legitimate purposes of strategy orders, as orders submitted that satisfy the purposes of a strategy order generally possess the characteristics identified in the rule, but also provides additional clarity and specificity than the current definition. Additionally, the Exchange’s proposal to adopt a fifth characteristic of a strategy order with respect to the definition of strategy orders as enumerated in subparagraph (5) of the proposed rule provides additional detail and clarity in the Exchange’s rule as it pertains to strategy orders. Further, these five characteristics are identical to those defined by the Cboe Exchange in their Rule 6.2.<sup>11</sup>

Additionally, the proposed definition of non-strategy orders provides market participants with additional clarity regarding orders that do not constitute strategy orders (and thus may be submitted after the strategy-order cut-off time and prior to the non-strategy order cut-off time). The Exchange believes this additional clarity with respect to what is and is not a strategy order will provide market participants with more certainty with respect to which orders constitute strategy orders, and thus which orders need to be submitted prior to the strategy order cut-off time. It also clarifies for market participants the activity in which they may engage after the strategy cut-off time.

Further, the proposed definition of a constituent option series provides additional clarity and precision in the Exchange’s rules regarding what series are considered constituent option

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<sup>11</sup> See supra note 8.

series for purposes of calculating the final settlement value. The Exchange believes this added clarity benefits investors and promotes just and equitable principles of trade.

Finally, the Exchange believes replacing the terms “SPIKES strategy order,” and “SPIKES non-strategy order,” with the definitions for strategy order and non-strategy order proposed herein, protects investors and the public interest, by providing clarity in the Exchange’s rules which reduces the chance 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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change applies in the same manner to all market participants who submit orders to the Exchange in constituent option series on index settlement value determination days. The proposed rule change, and the proposed definition of a strategy order in particular, provides market participants with clarity with respect to what constitutes a strategy order and is consistent with the current rules and the Exchange’s view of what orders constitute strategy orders.

The proposed rule change has no impact on intermarket competition as it applies to orders submitted for participation in the Exchange’s Special Settlement Process used to calculate settlement values for expiring volatility index derivatives. The Exchange believes that the proposed rule change provides market participants with more certainty with respect to which orders need to be submitted prior to the strategy order cut-off time and which orders may be submitted after that time, which may increase liquidity in constituent option series on volatility settlement dates.

**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)**

Pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange does not believe that the proposed rule change will significantly affect the protection of investors or the public interest. The proposed rule change, including the proposed definition of strategy orders, is consistent with the current rule and the Exchange's view of what orders constitute strategy orders. The proposed rule change provides clarity for market participants with respect to what constitutes a strategy order. The Exchange believes this clarity may contribute to additional liquidity during the Exchange's Special Settlement Process, and thus to a fair and orderly opening in constituent option series on exercise settlement value determination days. A fair and orderly opening in these series benefits all market participants who trade in SPIKES Index derivatives and the constituent option series.

Additionally, the Exchange does not believe the proposed rule change imposes any significant burden on competition. The proposed rule change applies in the same manner to all market participants who submit orders to the Exchange in constituent option series on exercise

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

settlement value determination days and is generally consistent with the current rule, definitions within the rule, and the purpose of the rule. The proposed rule change has no impact on intermarket competition, as it applies to orders submitted for participation in the Exchange's opening procedure used to calculate exercise settlement values for expiring volatility index derivatives.

The Exchange believes the proposed rule change provides market participants with more certainty with respect to order types that must be submitted prior to the strategy order cut-off time and which orders types may be submitted after that time, and this additional clarity may increase liquidity in constituent option series on volatility settlement dates.

The Exchange does not believe that the proposed rule change will significantly affect the protection of investors or the public interest as the Exchange's proposal is based upon, and is substantially similar to, Cboe Exchange Rule 6.2.<sup>14</sup>

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<sup>15</sup> normally does not become operative for 30 days after the date of its filing.

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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<sup>14</sup> See *supra* note 8.

<sup>15</sup> 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 change is based on Interpretation and Policy .01 of Cboe Exchange Rule 6.2.<sup>16</sup>

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

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<sup>16</sup> See supra note 8.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-MIAX-2019-25)

May \_\_, 2019

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Exchange Rule 1801, Definitions, Rule 503, Openings on the Exchange; and Rule 1802, Designation of an Index

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 20, 2019, 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 1801, Definitions, Rule 503, Openings on the Exchange; and Rule 1802, Designation of an Index.

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

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

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

the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Exchange Rule 1801, Definitions, to adopt new definitions to provide additional detail and clarity in the Exchange's Rules. Additionally, the Exchange proposes to amend Exchange Rule 503, to remove rule text that is being replaced in this proposal, and to make minor edits to conform the existing rule text to the definitions contained in this proposal. The Exchange also proposes to amend Exchange Rule 1802, Designation of an Index, to correct an internal cross reference which is changing under this proposal.

On October 12, 2018, the Exchange received approval from the Securities and Exchange Commission ("SEC" or "Commission") to list and trade on the Exchange, options on the SPIKES™ Index, a new index that measures expected 30-day volatility of the SPDR S&P 500 ETF Trust (commonly known and referred to by its ticker symbol, "SPY").<sup>3</sup> To establish the settlement value for the Index, a settlement auction, named the SPIKES Special Settlement Auction, will be conducted on the day the settlement value for the Index is to be calculated. The Index settlement price calculation includes all SPY options that expire 30 days after the SPIKES settlement. In the Exchange's filing these options are referred to as the "constituent options".<sup>4</sup>

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<sup>3</sup> See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (SR-MIAX-2018-14) (Order Granting Approval of a Proposed Rule Change by Miami International Securities Exchange, LLC to List and Trade on the Exchange Options on the SPIKES™ Index).

<sup>4</sup> Id.

The Exchange now proposes to amend Exchange Rule 1801 to adopt a definition for “constituent option series” to include all option series listed on the Exchange that are used to calculate the exercise or final settlement value, as applicable, of expiring volatility index derivatives. The Exchange believes adopting a definition for constituent option series improves the clarity and precision of the Exchange’s rulebook.

In the SPIKES Special Settlement Auction, in addition to any order types that may be regularly accepted by the Exchange, the Exchange will also accept settlement auction only orders (“SAO Orders”) and settlement auction only eQuotes (“SAO eQuotes”) (SAO Orders and SAO eQuotes are collectively referred to as “SAOs”) at any time after the opening of the Live Order Window (“LOW”)<sup>5</sup> and the Live Quote Window (“LQW”),<sup>6</sup> respectively. SAOs are specific order types that allow a Member<sup>7</sup> to voluntarily tag such order as a SPIKES strategy order, defined below. In general, even if not tagged, the Exchange will consider orders to be SPIKES strategy orders if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price.

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<sup>5</sup> The Exchange notes that the current Live Order Window opens at 7:30 A.M.

<sup>6</sup> The Exchange notes that the current Live Quote Window setting opens at 9:25 A.M., however the Exchange plans to open the Live Quote Window for the SPIKES Special Settlement Auction at 8:30 A.M.

<sup>7</sup> The term “Member” means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed “members” under the Exchange Act. See Exchange Rule 100.



They may also be for put and call options with “at-the-money” strike prices.

The Exchange now proposes to amend Rule 1801 to adopt a definition of a “Strategy Order” which provides that the Exchange deems individual orders (considered collectively) a market participant submits for participation in the modified opening procedure, as described in Interpretation and Policy .03 of Rule 503, to be a “strategy order,” based on related facts and circumstances considered by the Exchange, only if the orders: (1) relate to the market participant’s positions in expiring volatility index derivatives; (2) are for option series with the expiration that the Exchange will use to calculate the exercise or final settlement value, as applicable, of the applicable volatility index derivative; (3) are for option series with strike prices approximating the range of series that are later determined to constitute the constituent option series for the applicable expiration; (4) are for put (call) options with strike prices equal to or less (greater) than the “at-the-money” strike price; and (5) have quantities approximating the weighting formula used to determine the exercise or final settlement value, as applicable, in accordance with the applicable volatility index methodology. The Exchange notes that the characteristics identified in subparagraphs (1) – (4) currently exist in Exchange Rule 503. The fifth characteristic enumerated in subparagraph (5) is not listed in the current rule as a requirement for orders to be deemed strategy orders. However, the Exchange believes adopting this provision will help in determining whether orders are strategy orders. The Exchange notes that the proposed five provisions to be adopted under this proposal are identical to the five provisions used for identifying strategy orders found in Cboe Exchange Rule 6.2.<sup>8</sup>

The Exchange also proposes to amend Rule 1801 to adopt a definition for a non-strategy order as any order (including an order in a constituent option series) a market participant submits

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<sup>8</sup> See Cboe Exchange Rule 6.2, Interpretation and Policy .01.

for participation in the modified opening procedure, as described in Interpretation and Policy .03 of Rule 503, that is not a strategy order (or a change to or cancellation of a strategy order).

Additionally, the Exchange proposes to make a number of non-substantive changes to Rule 1801 to renumber existing definitions to allow the Exchange to insert the proposed definitions, “constituent option series,” “non-strategy order,” and “strategy order,” into the proper alphabetically ordered position among currently existing definitions.

The Exchange believes the proposed definitions provide market participants with more clarity with respect to what constitutes a strategy order and a non-strategy order. The Exchange believes this added clarity may increase liquidity on volatility index settlement dates, as it provides more certainty with respect to which orders may be submitted prior to the strategy cut-off time and which orders may be submitted after that time.

Further, the Exchange proposes to amend paragraph (c)(2) of Interpretation and Policy .03 of Exchange Rule 503 to remove the text that states, “[i]n general, the Exchange will consider orders to be SPIKES strategy orders for purposes of this Interpretation and Policy .03, if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the ‘at-the-money’ strike price and for call options with strike prices greater than the ‘at-the-money’ strike price. They may also be for put and call options with ‘at-the-money’ strike prices.” This text is being updated by the definition for a strategy order contained in this proposal.

Finally, the Exchange proposes to amend paragraph (b), (c), subparagraph (c)(1) and (c)(2), paragraph (d), paragraph (e), subparagraph (e)(1) and subparagraph (e)(2) of Interpretation and Policy .03 of Rule 503, to replace “SPIKES strategy order” with the term “strategy order” and to replace “SPIKES non-strategy order” with the term “non-strategy order,” as defined in this proposal. The Exchange also proposes to include an internal cross reference to the location of each definition in the Exchange’s rulebook. Additionally, the Exchange proposes to correct an internal cross reference in Rule 1802(d)(1) from subparagraph (k) to new proposed subparagraph (l).

The Exchange believes that these changes will add clarity and precision to the Exchange’s rulebook.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes the proposed definition of a strategy order provides market participants with additional clarity regarding what orders constitute strategy orders and the Exchange believes this added clarity benefits investors and promotes just and equitable principles of trade. The proposed rule change with respect to the definition of strategy orders

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

and enumerating the characteristics of a strategy orders as defined in subparagraphs (1) – (4) is consistent with the current definition of SPIKES strategy orders and the Exchange’s view of what orders constitute a strategy order, as well as the legitimate purposes of strategy orders, as orders submitted that satisfy the purposes of a strategy order generally possess the characteristics identified in the rule, but also provides additional clarity and specificity than the current definition. Additionally, the Exchange’s proposal to adopt a fifth characteristic of a strategy order with respect to the definition of strategy orders as enumerated in subparagraph (5) of the proposed rule provides additional detail and clarity in the Exchange’s rule as it pertains to strategy orders. Further, these five characteristics are identical to those defined by the Cboe Exchange in their Rule 6.2.<sup>11</sup>

Additionally, the proposed definition of non-strategy orders provides market participants with additional clarity regarding orders that do not constitute strategy orders (and thus may be submitted after the strategy-order cut-off time and prior to the non-strategy order cut-off time). The Exchange believes this additional clarity with respect to what is and is not a strategy order will provide market participants with more certainty with respect to which orders constitute strategy orders, and thus which orders need to be submitted prior to the strategy order cut-off time. It also clarifies for market participants the activity in which they may engage after the strategy cut-off time.

Further, the proposed definition of a constituent option series provides additional clarity and precision in the Exchange’s rules regarding what series are considered constituent option series for purposes of calculating the final settlement value. The Exchange believes this added clarity benefits investors and promotes just and equitable principles of trade.

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<sup>11</sup> See supra note 8.

Finally, the Exchange believes replacing the terms “SPIKES strategy order,” and “SPIKES non-strategy order,” with the definitions for strategy order and non-strategy order proposed herein, protects investors and the public interest, by providing clarity in the Exchange’s rules which reduces the chance 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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change applies in the same manner to all market participants who submit orders to the Exchange in constituent option series on index settlement value determination days. The proposed rule change, and the proposed definition of a strategy order in particular, provides market participants with clarity with respect to what constitutes a strategy order and is consistent with the current rules and the Exchange’s view of what orders constitute strategy orders.

The proposed rule change has no impact on intermarket competition as it applies to orders submitted for participation in the Exchange’s Special Settlement Process used to calculate settlement values for expiring volatility index derivatives. The Exchange believes that the proposed rule change provides market participants with more certainty with respect to which orders need to be submitted prior to the strategy order cut-off time and which orders may be submitted after that time, which may increase liquidity in constituent option series on volatility settlement dates.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);

or

- Send an e-mail [to rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-

MIAX-2019-25 on the subject line.

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2019-25. 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-2019-25 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Brent J. Fields  
Secretary

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<sup>14</sup> 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 503. Openings on the Exchange**

(a) - (g) No change.

**Interpretations and Policies:**

.01 - .02 No change.

**.03 SPIKES Special Settlement Auction.**

(a) No change.

(b) On the day of the SPIKES Special Settlement Auction, in addition to any other order types that may be accepted by the Exchange, the Exchange will also accept Settlement Auction Only Orders (“SAO Orders”) and Settlement Auction Only eQuotes (“SAO eQuotes”)(SAO Orders and SAO eQuotes are collectively referred to as “SAOs”) at any time after the opening of the Live Order Window (“LOW”) and the Live Quote Window (“LQW”), respectively. SAOs are specific order types that allow a Member to voluntarily tag such order as a [SPIKES ]strategy order, defined in subsection (c) below.

(c) All orders for participation in the SPIKES Special Settlement Auction that are related to positions in, or a trading strategy involving, expiring SPIKES Index options (“[SPIKES ]strategy orders,” as defined in Rule 1801), and any change to or cancellation of any such order:

(1) must be received prior to the applicable [SPIKES ]strategy order cut-off time for the constituent option series, as determined by the Exchange, which may be no earlier than the opening of the LOQ or the LQW, and no later than the opening of trading in the series. The Exchange will announce all determinations regarding changes to the applicable [SPIKES ]strategy order cut-off time via Regulatory Circular at least one day prior to implementation; and

(2) may not be cancelled or modified after the applicable [SPIKES ]strategy order cut-off time, unless the [SPIKES ]strategy order is not executed in the SPIKES Special Settlement Auction and the cancellation or modification is submitted after the SPIKES Special Settlement Auction is concluded (provided that any such [SPIKES ]strategy order may be modified or cancelled after the applicable [SPIKES ]strategy order cut-off time and prior to the applicable non-[SPIKES ]strategy order cut-off time in order to correct a legitimate error, in which case the Member submitting the change or cancellation will prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and will file a copy of the



memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange). [In general, the Exchange will consider orders to be SPIKES strategy orders for purposes of this Interpretation and Policy .03, if the orders possess the following three characteristics: (A) are for options with the expiration that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract; (B) are for options spanning the full range of strike prices for the appropriate expiration for options that will be used to calculate the exercise or final settlement value of the applicable volatility index option contract, but not necessarily every available strike price; and (C) are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price. They may also be for put and call options with “at-the-money” strike prices.]

Whether certain orders are [SPIKES ]strategy orders for purposes of this Interpretation and Policy .03 depends upon specific facts and circumstances. The Exchange may also deem order types other than those defined in Rule 1801 as[provided above as SPIKES] strategy orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

(d) All other orders for participation in the SPIKES Special Settlement Auction (“non-[SPIKES ]strategy orders,” as defined in Rule 1801), and any cancellation or modification of any such order, must be received prior to the applicable cut-off time, as determined by the Exchange, in order to participate at the opening price for the applicable series, which may be no earlier than the opening of the LOW or the LQW and no later than the opening of trading in the option series. The Exchange will announce all determinations regarding changes to the applicable non-[SPIKES ]strategy order cut-off time at least one day prior to implementation.

(e) A Market Maker with an appointment in a class with constituent option series may submit bids and offers in those series for bona fide market making purposes in accordance with Rule 603 and the Exchange Act for its market maker account prior to the open of trading for participation in the SPIKES Special Settlement Auction. The Exchange will deem these bids and offers to be non-[SPIKES ]strategy orders, and will not deem them to be changes to or cancellations of previously submitted [SPIKES ]strategy orders, if:

(1) the Member with which the Market Maker is affiliated has established, maintains, and enforces reasonably designed written policies and procedures (including information barriers, as applicable), taking into consideration the nature of the Member’s business and other facts and circumstances, to prevent the misuse of material nonpublic information (including the submission of [SPIKES ]strategy orders); and

(2) when submitting these bids and offers, the Market Maker has no actual knowledge of any previously submitted [SPIKES ]strategy orders.

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**Rule 1801. Definitions**

(a) The term "**aggregate exercise price**" means the exercise price of the options contract times the index multiplier.

(b) The term "**American-style index option**" means an option on an industry or market index that can be exercised on any business day prior to expiration, including the business day of expiration in the case of an option contract expiring on a business day.

(c) The term "**A.M.-settled index option**" means an index options contract for which the current index value at expiration shall be determined as provided in Rule 1809(a)(5).

(d) The term "**call**" means an options 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 current index value times the index multiplier.

(e) The term "**constituent option series**" means all option series listed on the Exchange that are used to calculate the exercise or final settlement value, as applicable, of expiring volatility index derivatives.

([e]f) The term "**current index value**" with respect to a particular index options contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by the Exchange. The current index value with respect to a reduced-value long term options contract is one-tenth of the current index value of the related index option. The "**closing index value**" shall be the last index value reported on a business day.

([f]g) The term "**exercise price**" means the specified price per unit at which the current index value may be purchased or sold upon the exercise of the option.

([g]h) The term "**European-style index option**" means an option on an industry or market index that can be exercised only on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, the last business day prior to the day it expires.

([h]i) The term "**Foreign Currency Index**" means an index designed to track the performance of a basket of currencies, as provided in the table in MIAX Rule 1805A.

([i]j) The term "**index multiplier**" means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

([j]k) The terms "**industry index**" and "**narrow-based index**" mean an index designed to be representative of a particular industry or a group of related industries or an index whose constituents are all headquartered within a single country.

([k]l) The term "**market index**" and "**broad-based index**" mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

(m) The term "**non-strategy order**" means any order (including an order in a constituent option series) a market participant submits for participation in the modified opening procedure (as described in Interpretation and Policy .03 of Rule 503) that is not a strategy order (or a change to or cancellation of a strategy order).

([l]n) The term "**put**" means an options 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 current index value times the index multiplier.

([m]o) The term "**Quarterly Options Series**" means, for the purposes of Chapter XVIII, a series in an index options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

([n]p) The term "**reporting authority**" with respect to a particular index means the institution or reporting service designated by the Exchange as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on the Exchange shall be Specified (as provided in Rule 1800) in the Interpretations and Policies to this Rule 1801.

([o]q) The term "**Short Term Option Series**" means, for the purposes of Chapter XVIII, a series in an index option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the following business week that is a business day. If a Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Friday.

(r) **Strategy Order.** The Exchange deems individual orders (considered collectively) a market participant submits for participation in the modified opening procedure (as described in Interpretation and Policy .03 of Rule 503) to be a "strategy order," based on related facts and circumstances considered by the Exchange, only if the orders:

(1) relate to the market participant's positions in expiring volatility index derivatives;

(2) are for option series with the expiration that the Exchange will use to calculate the exercise or final settlement value, as applicable, of the applicable volatility index derivative;

(3) are for option series with strike prices approximating the range of series that are later determined to constitute the constituent option series for the applicable expiration;

(4) are for put (call) options with strike prices equal to or less (greater) than the "at-the-money" strike price; and

(5) have quantities approximating the weighting formula used to determine the exercise or final settlement value, as applicable, in accordance with the applicable volatility index methodology.

([p]s) The term "**underlying security**" or "**underlying securities**" with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

**Interpretations and Policies:** No change.

**Rule 1802. Designation of an Index**

(a) - (c) No change.

(d) The Exchange may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Rule 1801([k]);

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