

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87693; File No. SR-MIAX-2019-48)

December 9, 2019

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 1400, Definitions

Pursuant to 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 December 3, 2019, Miami International Securities Exchange, LLC (“MIAX Options” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I and II 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 515, Execution of Orders and Quotes; Exchange Rule 516, Order Types Defined; Exchange Rule 517, Quote Types Defined; Exchange Rule 518, Complex Orders; Exchange Rule 521, Nullification and Adjustment of Options Transactions Including Obvious Errors; and Exchange Rule 1400, Definitions.

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

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

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

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

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

1. Purpose

The Exchange proposes to amend Exchange Rule 1400, Definitions, to adopt a definition for a Complex Trade, which will mean, “(i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy; or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight (8) option contracts per unit of trading of the underlying stock or convertible security established for that series by The Options Clearing Corporation.”

The Exchange is a Participant<sup>3</sup> in the Options Order Protection and Locked/Crossed Market Plan (“Plan”), along with all other option exchanges.<sup>4</sup> All participating exchanges have adopted substantially similar definitions of a Complex Trade for purposes of the Plan.<sup>5</sup> However, when the rules relating to the Plan were adopted by the Exchange, the definition of a Complex Trade was inadvertently omitted. The Exchange now proposes to remedy this unintentional oversight.

Additionally, the Exchange proposes to make non-substantive changes to Rule 1400 to renumber existing definitions to allow the Exchange to insert the proposed definition for

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<sup>3</sup> The term “Participant” is defined as an Eligible Exchange whose participation in the Plan has become effective pursuant to Section 3(c) of the Plan.

<sup>4</sup> On July 30, 2009, the Commission approved the Plan, which was proposed by Chicago Board Options Exchange, Incorporated (“CBOE”), International Securities Exchange, LLC (“ISE”), The NASDAQ Stock Market LLC (“Nasdaq”), NASDAQ OMX BX, Inc. (“BX”), NASDAQ OMX PHLX, Inc. (“Phlx”), NYSE Amex, LLC (“NYSE Amex”), and NYSE Arca, Inc. (“NYSE Arca”). See Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009). See also Securities Exchange Act Release No. 61546 (February 19, 2010), 75 FR 8762 (February 25, 2010) (adding BATS Exchange, Inc. (“BATS”) as a Participant); 63119 (October 15, 2010), 75 FR 65536 (October 25, 2010) (adding C2 Options Exchange, Incorporated (“C2”) as a Participant); 66969 (May 11, 2012), 77 FR 29396 (May 17, 2012) (adding BOX Options Exchange LLC (“BOX Options”) as a Participant); 70763 (October 28, 2013), 78 FR 65740 (November 1, 2013) (adding Topaz Exchange, LLC (“Topaz”) as a Participant); 70762 (October 28, 2013), 78 FR 65743 (November 1, 2013) (adding MIAX International Securities Exchange, LLC (“MIAX”) as a Participant); 76823 (January 5, 2016), 81 FR 1260 (January 11, 2016) (adding EDGX Exchange, Inc. (“EDGX”) as a Participant); 77324 (March 8, 2016), 81 FR 13425 (March 14, 2016) (adding ISE MERCURY, LLC (“ISE Mercury”) as a Participant); 79896 (January 30, 2017), 82 FR 9264 (February 3, 2017) (adding MIAX Pearl (“Pearl”) as a Participant); and 85229 (March 1, 2019), 84 FR 8347 (March 7, 2019) (adding MIAX Emerald, LLC (“MIAX Emerald”) as a Participant).

<sup>5</sup> See Cboe Exchange Rule 5.65(d); Cboe BZX Exchange Rule 27.1(a)(4); Cboe EDGX Exchange Rule 27.1(a)(4); Nasdaq ISE Exchange Rule, Options 5, Section 1(d); Nasdaq BX Exchange Rule, Options 5, Section 1(d); Nasdaq Phlx Exchange Rule 1083(d); Nasdaq Options Market (“NOM”) Chapter XII, Section 1(4); NYSE American Exchange Rule 990NY(4); NYSE Arca Exchange Rule 6.92-O(a)(4); and BOX Exchange Rule 1500(e).

“Complex Trade” into the proper alphabetically ordered position among currently existing definitions.

As a result of the proposed amendment to Exchange Rule 1400, a number of non-substantive amendments must be made to correct internal cross-references in other rules within the Exchange’s rulebook. Specifically, the internal cross-reference to Eligible Exchanges in the definition of ABBO or Away Best Bid or Offer, in Exchange Rule 100, must be updated from Rule 1400(f) to Rule 1400(g). The internal cross-reference to Eligible Exchanges in Exchange Rule 503(e)(1)(iii) must be updated from Rule 1400(f) to Rule 1400(g). The internal cross-reference to Intermarket Sweep Orders in Rule 503(f)(2)(iv)(A)2. must be updated from Rule 1400(h) to Rule 1400(i). The internal cross-reference to the NBBO in Exchange Rule 515(a) must be updated from Rule 1400(j) to Rule 1400(k). The internal cross-reference to Intermarket Sweep Orders in Exchange Rule 516(f) must be updated from Rule 1400(h) to Rule 1400(i). Similarly in Rule 516(f) the internal cross-references to Protected Quotes and Eligible Exchanges must be updated from 1400(p) and (f) to 1400(q) and (g) respectively. Lastly, in Rule 516(f), the internal cross-reference to Protected Bid or Protected Offer must be updated from 1400(o) to 1400(p). The internal cross-references to Protected Bid and Protected Offer in Exchange Rule 517(a)(2)(vi) must be updated from 1400(o) to 1400(p). The internal cross-reference to Eligible Exchanges in Exchange Rule 518(a)(1) must be updated from Rule 1400(f) to Rule 1400(g). Finally, the internal cross-reference to the Options Order Protection and Locked/Crossed Market Plan in Exchange Rule 521(j) must be updated from Rule 1400(n) to Rule 1400(o).

The Exchange believes these changes add clarity and precision to the Exchange’s rules.

## 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>7</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 its proposal to adopt a definition of a Complex Trade 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 is a Participant in the Options Order Protection and Locked/Crossed Market Plan along with all other option exchanges.<sup>8</sup> The Exchange believes using common definitions promotes the protection of investors and the public interest as using consistent terms across exchanges promotes consistency in rule interpretation and application under the Plan. The Exchange notes that its proposed definition of a Complex Trade is identical to that of Nasdaq

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> See supra note 4.

Phlx,<sup>9</sup> and substantially similar to the definition of a Complex Trade used on other exchanges.<sup>10</sup> Further, the Exchange believes that its proposal removes impediments to and perfects the mechanism of a free and open market and a national market system, as the proposal harmonizes the Exchange's rules to those of other Participants in the Plan and promotes the objectives of the Plan to enable the Participants to act jointly in establishing a framework for providing order protection and addressing Locked<sup>11</sup> and Crossed Markets.<sup>12</sup>

The Exchange believes that the proposed non-substantive rule changes to update internal cross-references within the Exchange's Rules will provide greater clarity to Members<sup>13</sup> and the public regarding the Exchange's Rules, and it is in the public interest for rules to be accurate and precise so as to eliminate the potential for confusion.

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

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

The Exchange does not believe that its proposal will impose any burden on intermarket competition as the proposed definition of a Complex Trade serves to harmonize the Exchange's definition of a Complex Trade to that used by other Plan participants.<sup>14</sup> Additionally, the minor

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<sup>9</sup> See Nasdaq Phlx Exchange Rule 1083(d).

<sup>10</sup> See supra note 5.

<sup>11</sup> A "Locked Market" means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class. See Exchange Rule 1400(i).

<sup>12</sup> A "Crossed Market" means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class. See Exchange Rule 1400(d).

<sup>13</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.

<sup>14</sup> See supra note 5.

non-substantive edits to update internal cross-references in the Exchange's rulebook provides precision and accuracy in the Exchange's rules.

The Exchange does not believe that its proposal to adopt a definition for a Complex Trade will impose any burden on intramarket competition as the definition is intended to harmonize the Exchange's rules with those of other Plan Participants. Additionally, the non-substantive changes to update internal cross-references in the Exchange's rulebook proposed by the Exchange provide additional clarity and detail in the Exchange's rules. The Exchange does not believe that its proposal to make non-substantive changes to update internal cross-references in the Exchange's rulebook imposes any burden on intramarket competition as the rules of the Exchange 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

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, the proposed rule change has become effective pursuant to 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6)<sup>16</sup> thereunder.

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

<sup>16</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.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>17</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii) under the Act<sup>18</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange states that waiver of the operative delay would allow the Exchange to immediately harmonize its rules with the rules of the other Plan Participants, which would promote consistency in the interpretation and application of rules under the Plan and further the objectives of the Plan to enable Participants to act jointly in establishing a framework for providing order protection and addressing Locked and Crossed markets. The Commission finds that it is consistent with the protection of investors and the public interest to waive the 30-day operative delay to allow the Exchange to adopt a definition of Complex Trade, which the Exchange inadvertently omitted when it adopted rules relating to the Plan. The Commission notes that the proposed change does not raise new or novel regulatory issues because the Exchange's proposed definition of Complex Trade is identical to the definition of Complex Trade adopted by one exchange<sup>19</sup> and substantially similar to the definition of Complex Trade adopted by other exchanges.<sup>20</sup> Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.<sup>21</sup>

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

<sup>18</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>19</sup> See supra note 9.

<sup>20</sup> See supra note 5.

<sup>21</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).



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-2019-48 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MIAX-2019-48. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MIAX-2019-48 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>22</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>22</sup> 17 CFR 200.30-3(a)(12).