equally to all Exchange Members, and any Member of the Exchange may use the cAOAO order type.

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 [16] and Rule 19b–4(f)(6) [17] 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 email to *rule-comments@ sec.gov.* Please include File Number SR–MIAX–2020–20 on the subject line.

Paper Comments

• Send paper comments in triplicate to Vanessa A. Countryman, Secretary, Securities and Exchange Commission,

100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number SR–MIAX–2020–20. This file number should be included on the subject line if email 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–2020–20 and should be submitted on or before July 29, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2020–14630 Filed 7–7–20; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–89213; File No. SR–MIAX–2020–11]

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Order Approving a Proposed Rule Change To Amend Exchange Rule 518, Complex Orders, To Adopt New Interpretation and Policy .08, Related Futures Cross Orders

July 1, 2020.

I. Introduction

On May 11, 2020, Miami International Securities Exchange, LLC ("MIAX" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") [1] and Rule 19b–4 thereunder,[2] a proposed rule change to provide for the trading of Related Futures Cross ("RFC") orders. The proposed rule change was published for comment in the **Federal Register** on May 20, 2020.[3] The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to amend MIAX Rule 518, Complex Orders, to adopt new Interpretation and Policy .08 to provide for the trading of RFC orders. An RFC order is comprised of a SPIKES options [4] combo coupled with a contra-side order or orders totaling an equal number of SPIKES option combo orders, which is identified to MIAX as being part of an exchange of option contracts for related futures positions.[5] For purposes of proposed MIAX Rule 518(a), an exchange of option contracts for related futures positions is a transaction entered into by market participants seeking to swap option positions with related futures positions

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with related exposures.[6] A related futures position is a position in a futures contract with either the same underlying as, or a high degree of price correlation to, the underlying of the option combo in the RFC order so that the execution of the option combos in the RFC order would serve as an appropriate hedge for the related future positions.[7] In an exchange of contracts for related positions, one party(ies) must be the buyer(s) of (or the holder(s) of) the long market exposure associated with the options positions and the seller(s) of corresponding futures contracts and the other party(ies) must be the seller(s) of (or holder(s) of) the short market exposure associated with the options positions and the buyer(s) of the corresponding futures contracts.[8] The quantity of the option contracts executed as part of the RFC order must correlate to the quantity represented by the related futures position portion of the exchange.[9] The transaction involving the related futures position of the exchange must comply with all applicable rules of the designated contract market on which the futures are listed for trading.[10] An RFC order may be executed only during Regular Trading Hours and contemporaneously with the execution of the related futures position portion of the exchange.[11] The Exchange notes that the proposal is limited to a single class of a proprietary product listed only on the Exchange.[12]

To execute an RFC order, an Electronic Exchange Member ("EEM")[13] must submit the RFC order to the System, which may execute automatically on entry without exposure.[14] An EEM may execute an RFC order only if: (i) Each option leg executes at a price that complies with MIAX Rule 518(c), provided that no option leg executes at the same price as a Priority Customer Order in the Simple Book; (ii) each option leg executes at a price at or between the NBBO for the applicable series; and (iii) the execution price is better than the price of any

complex order resting in the Strategy Book, unless the RFC order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order, in which case the execution price may be the same as or better than the price of the resting complex order.[15] The System cancels an RFC order if it cannot execute.[16]

Because there currently are no futures on the SPIKES Index, market participants that wish to hedge a position in SPIKES options using futures must use a highly correlated related instrument, such as VIX futures.[17] The Exchange notes that although SPIKES is highly correlated to VIX, there is some basis risk between the two products, which can be exacerbated during times of market volatility.[18] As described more fully in the Notice, a market participant that has hedged a SPIKES options position with VIX futures could eliminate the basis risk in that position by exchanging the VIX futures position for a hedge comprised of SPIKES option combos, a synthetic equivalent to the VIX futures position that does not carry basis risk.[19] A market participant seeking to reduce margin and capital requirements could exchange a position in SPIKES options combos for a corresponding VIX futures position.[20] The Exchange proposes to adopt RFC orders to facilitate these trades.[21] The Exchange has put in place a regulatory review plan to ensure that RFC orders are executed in conjunction with an exchange of contracts for related positions as required by the proposed rule.[22]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is

consistent with the requirements of the Act,[23] and the rules and regulations thereunder applicable to a national securities exchange.[24] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[25] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. RFC orders would allow market participants trading SPIKES options to eliminate basis risk by exchanging a VIX futures hedge for SPIKES options combos, or to manage capital and margin requirements by exchanging positions in SPIKES options combos with corresponding positions in VIX futures, as described above. The Commission notes that an RFC order may execute automatically without exposure only if: (i) Each option leg executes at a price that complies with MIAX Rule 518(c), provided that no option leg executes at the same price as a Priority Customer Order in the Simple Book; (ii) each option leg executes at a price at or between the NBBO for the applicable series; and (iii) the execution price is better than the price of any complex order resting in the Strategy Book, unless the RFC order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order, in which case the execution price may be the same as or better than the price of the resting complex order.[26] In addition, the transaction involving the related futures position of an RFC order must comply with all applicable rules of the designated contract market on which the futures are listed for trading.[27] The Exchange has put in place a regulatory review plan to ensure that RFC orders are executed in conjunction with an exchange of

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[6] *See* proposed MIAX Rule 518(a)(5).

[7] *See* proposed MIAX Rule 518(a)(5)(a).

[8] *See* proposed MIAX Rule 518(a)(5)(b).

[9] *See id.*

[10] *See* proposed MIAX Rule 518(a)(7).

[11] *See* proposed MIAX Rule 518(a)(6).

[12] *See* Notice, 85 FR at 30781.

[13] An EEM is a Trading Permit who is not a Market Maker. EEMs are deemed "members" under the Exchange Act. The System is the automated trading system used by the Exchange for the trading of securities. *See* MIAX Rule 100.

[14] *See* proposed MIAX Rule 518(a)(1). The Exchange notes that a Qualified Contingent Cross Order is similarly executed as a clean cross. *See* Notice, 85 FR at 30781, n. 14 (citing MIAX Rule 516(j)). *See also* MIAX Rules 515(h)(4) (execution of Complex Qualified Contingent Cross ("cQCC") Orders) and 518(b)(6) (defining cQCC Orders).

[15] *See* proposed MIAX Rule 518(a)(2).

[16] *See id.*

[17] MIAX notes that SPIKES is over 99% correlated to VIX. VIX futures trade on the Chicago Futures Exchange. *See* Notice, 85 FR at 30779–80.

[18] Basis risk is the financial risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position. *See* Notice, 85 FR at 30779, n. 6. The Exchanges notes that the SPIKES settlement value is determined using the opening prices on MIAX of SPY options that expire in 30 days, while the VIX settlement value is determined using the opening prices on the Cboe Exchange of SPX options that expire in 30 days. Although SPY and SPX are highly correlated, variances in supply and demand can cause the settlement prices of the SPIKES and VIX Indexes to diverge. *See* Notice, 85 FR at 30779–80.

[19] *See id.*

[20] *See id.* at 30780.

[21] *See id.*

[22] *See id.* at 30781.

[23] 15 U.S.C. 78f.

[24] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

[26] *See* proposed MIAX Rules 518(a)(1) and (2). The Commission notes that cQCC Orders also may execute automatically upon entry. *See* MIAX Rule 518(b)(6).

[27] *See* proposed MIAX Rule 518(a)(7).

contracts for related positions as required by the proposed rule.[28]

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[29] that the proposed rule change (SR–MIAX–2020–11) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[30]

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2020–14631 Filed 7–7–20; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–89206; File No. SR–MIAX–2020–19]

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 518, Complex Orders and Exchange Rule 515A, MIAX Price Improvement Mechanism (''PRIME'') and PRIME Solicitation Mechanism

July 1, 2020.

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 June 22, 2020, Miami International Securities Exchange, LLC (''MIAX Options'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend Exchange Rule 518, Complex Orders; and Exchange Rule 515A, MIAX Price Improvement Mechanism (''PRIME'') and PRIME Solicitation Mechanism.

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 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 Interpretations and Policies .05 of Exchange Rule 518 to exclude cPRIME orders from the Complex MIAX Options Price Collar Protection provided to complex orders as described in paragraph (f)(1) of the Rule. Additionally, the Exchange proposes to amend Interpretations and Policies .12 of Exchange Rule 515A to remove the provision that precludes last priority in allocation from being available to Initiating Members[3] that submit cPRIME Agency Orders.

Background

In October of 2016, the Exchange adopted rules governing the trading in, and detailing the functionality of the MIAX Options System[4] in the handling of, complex orders on the Exchange.[5] In order to further support the trading of complex orders on the Exchange, the Exchange adopted an additional price protection feature for complex orders, the Complex MIAX Price Collar (''MPC'') in February of 2017.[6] The MPC price protection feature is designed to help maintain a fair and orderly market

by helping to mitigate the potential risk of executions at prices that are extreme and potentially erroneous.

More specifically, the MPC price protection feature is an Exchange-wide price protection mechanism under which a complex order or eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO[7] at the time the MPC is assigned by the System (*i.e.,* upon receipt or upon opening) by more than a specific dollar amount expressed in $0.01 increments (the ''MPC Setting''), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the ''MPC Price'').[8] All complex orders, together with cAOC eQuotes and cIOC eQuotes (as defined in Interpretations and Policies .02(c)(1) and (2) of Exchange Rule 518) (collectively, ''eQuotes''), are subject to the MPC price protection feature.[9]

In July of 2017 the Exchange adopted three new complex order types: Complex Customer Cross (''cC2C''), Complex Qualified Contingent Cross (''cQCC''), and cPRIME,[10] which, by definition, became subject to the MPC price protection. In August of 2017, the Exchange amended its rules to remove these three new complex order types from certain pre-existing price protection features available on the Exchange.[11] Specifically, the Exchange modified Interpretation and Policy .05(d) of Rule 518 to state that the Implied Away Best Bid or Offer (''ixABBO'') Price Protection feature is not available for cPRIME Orders, cC2C Orders, and cQCC Orders. In its filing the Exchange stated that the ixABBO protection will not be available because this type of protection isn't necessary for these new complex order types. Specifically, with respect to cPRIME Orders, a cPRIME Agency Order is received by the Exchange accompanied by, and guarantees an execution against, a contra-side order at a single price or

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[28] *See* Notice, 85 FR at 30781.

[29] 15 U.S.C. 78s(b)(2).

[30] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] An ''Initiating Member'' initiates a PRIME Auction. *See* Exchange Rule 515A(a)(1). 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.

[4] The term ''System'' means the automated trading system used by the Exchange for the trading of securities. *See* Exchange Rule 100.

[5] *See* Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR–MIAX–2016–26).

[6] *See* Securities Exchange Act Release No. 80089 (February 22, 2017), 82 FR 12153 (February 28, 2017) (SR–MIAX–2017–06).

[7] The cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. For stock-option orders, the cNBBO for a complex strategy will be calculated using the NBBO in the individual option component(s) and the NBBO in the stock component. *See* Exchange Rule 518(a)(2).

[8] *See* Exchange Rule 518 Interpretations and Policies .05(f).

[9] *See* Exchange Rule 518. Interpretations and Policies 05(f)(1).

[10] *See* Securities Exchange Act Release No. 81131 (July 12, 2017), 82 FR 32900 (July 18, 2017) (SR–MIAX–2017–19).

[11] *See* Securities Exchange Act Release No. 81229 (July 27, 2017), 82 FR 36023 (August 2, 2017) (SR–MIAX–2017–34).