

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-94836; File No. SR-MIAX-2022-17)

May 3, 2022

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Exchange Rule 518, Complex Orders and Exchange Rule 515, Execution of Orders and Quotes, to Permit Pricing of Stock-option Complex Strategies in any Decimal Price the Exchange Determines

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 19, 2022, Miami International Securities Exchange, LLC (“MIAX Options” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the 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 its Rulebook to permit pricing of stock-option complex strategies in any decimal price the Exchange determines.

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

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

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

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

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

1. Purpose

The Exchange proposes to amend Exchange Rule 518, Complex Orders, and Exchange Rule 515, Execution of Orders and Quotes, to permit pricing of stock-option complex strategies in any decimal price the Exchange determines.<sup>3</sup>

Background

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<sup>3</sup> The Exchange notes that other options exchanges offer this pricing increment for stock-option orders. See Cboe Options Rule 5.33(f)(i)(B), which provides that, “users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The minimum increment for the option leg(s) of a stock-option order is \$0.01 or greater, which the Exchange may determine on a class-by-class basis, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market.” See also Nasdaq ISE Options 3, Section 14(c)(1), which similarly provides, “bids and offers for Complex Options Strategies may be expressed in one cent (\$0.01) increments, and the options leg of Complex Options Strategies may be executed in one cent (\$0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order. Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by the Exchange, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market. The options leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in one cent (\$0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.” See also Cboe EDGX Rule 21.20(f)(1)(B).

In October 2016, the Exchange adopted rules governing the trading in, and detailing the functionality of the MIAX Options System<sup>4</sup> in the handling of complex orders on the Exchange.<sup>5</sup> The Exchange defines a “complex order” as any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the “legs” or “components” of the complex order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Mini-options may only be part of a complex order that includes other mini-options. Only those complex orders in the classes designated by the Exchange and communicated to Members<sup>6</sup> via Regulatory Circular with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members via Regulatory Circular,<sup>7</sup> are eligible for processing.<sup>8</sup>

A complex order can also be a “stock-option order” as described further, and subject to the limitations set forth, in Interpretations and Policies .01 of Exchange Rule 518. A stock-option order is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share (“ETF”)) or a security convertible into the underlying stock

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<sup>4</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>5</sup> See Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016)(SR-MIAX-2016-26).

<sup>6</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>7</sup> See MIAX Regulatory Circular 2016-41, Trading of Complex Orders on MIAX (October 14, 2016) available at [https://www.miaxoptions.com/sites/default/files/circular-files/MIAX\\_RC\\_2016\\_41.pdf](https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_RC_2016_41.pdf).

<sup>8</sup> See Exchange Rule 518(a)(5).

(“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (i) the same number of units of the underlying security or convertible security, or (ii) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying security or convertible security in the option leg to the total number of units of the underlying security or convertible security in the stock leg. Only those stock-option orders in the classes designated by the Exchange and communicated to Members via Regulatory Circular with no more than the applicable number of legs as determined by the Exchange on a class-by-class basis and communicated to Members via Regulatory Circular,<sup>9</sup> are eligible for processing.<sup>10</sup>

Additionally, the Exchange offers a Complex Qualified Contingent Cross Order or “cQCC” Order which is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01,<sup>11</sup> coupled with a contra-side

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<sup>9</sup> See MIAX Regulatory Circular 2018-34, Implementation of Stock-Option Complex Order Trading on the Exchange (August 2, 2018) available at [https://www.miaxoptions.com/sites/default/files/circular-files/MIAX\\_Options\\_RC\\_2018\\_34.pdf](https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Options_RC_2018_34.pdf).

<sup>10</sup> See *supra* note 8.

<sup>11</sup> A “qualified contingent trade” is a transaction consisting of two or more component orders, executed as agent or principal, where: (a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (c) the execution of one component is contingent upon the execution of all other components at or near the same time; (d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (f) the transaction is fully hedged (without regard to

complex order or orders totaling an equal number of contracts. The trading of cQCC Orders is governed by Rule 515(h)(4).<sup>12</sup>

Exchange Rule 515(h)(4) currently provides that, cQCC Orders, as defined in Rule 518(b)(6), are automatically executed upon entry provided that, with respect to each option leg of the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Book; and (ii) is at or between the NBBO. The System will reject a cQCC Order if, at the time of receipt of the cQCC Order: (i) the strategy is subject to a cPRIME Auction pursuant to Rule 515A, Interpretation and Policy .12 or to a Complex Auction pursuant to Rule 518(d); or (ii) any component of the strategy is subject to a SMAT Event as described in Rule 518(a)(16). Further paragraph (A) of Exchange Rule 515(h)(4) provides that cQCC Orders will be automatically canceled if they cannot be executed. Paragraph (B) of Exchange Rule 515(h)(4) provides that, cQCC Orders may only be entered in the minimum trading increments applicable to complex orders under Rule 518(c)(1)(i). Paragraph (C) of Exchange Rule 515(h)(4) provides that, the Exchange will determine on a class-by-class basis, the option classes in which cQCC Orders are available for trading on the Exchange, and will announce such classes to Members via Regulatory Circular.

Trading of complex orders on the Exchange is governed by Exchange Rule 518, Complex Orders. Minimum increments and trade prices for complex orders are described in current subparagraph (i) of Rule 518(c)(1) which states, bids and offers on complex orders and quotes may be expressed in \$0.01 increments, and the component(s) of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to

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any prior existing position) as a result of other components of the contingent trade. See Interpretations and Polices .01 of Exchange Rule 516.

<sup>12</sup> See Exchange Rule 518(b)(6).

individual components of the complex order. Current subparagraph (ii) of Exchange Rule 518(c)(1) states, if any component of a complex strategy would be executed at a price that is equal to a Priority Customer<sup>13</sup> bid or offer on the Simple Order Book,<sup>14</sup> at least one other component of the complex strategy must trade at a price that is better than the corresponding MBBO.<sup>15</sup> Current subparagraph (iii) of Exchange Rule 518(c)(1) states, a complex order will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the MBBO of at least one component of the complex strategy. Current subparagraph (iv) of Exchange Rule 518(c)(1) states, a complex order or eQuote (as defined in Interpretations and Policies .02 of Rule 518) will not be executed at a price that is outside of its MPC Price (as defined in Interpretations and Policies .05(f) of Rule 518) or its limit price.<sup>16</sup>

### Proposal

The Exchange now proposes to (i) amend its rule pertaining to the pricing of complex orders to permit the pricing of stock-option complex strategies in any decimal price the Exchange determines; and (ii) make additional changes to the Exchange's rulebook necessary to support the implementation of the proposed pricing structure.

### Rule 518 Complex Orders

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<sup>13</sup> The term "Priority Customer" means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

<sup>14</sup> The term "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

<sup>15</sup> The term "MBBO" means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(13).

<sup>16</sup> See Exchange Rule 518(c)(1).

Specifically, the Exchange proposes to amend subsection (c)(1) Minimum Increments and Trade Prices of Rule 518, to adopt new paragraph (ii), and to renumber current paragraph (c)(1)(ii) as paragraph (c)(1)(iii). New paragraph (c)(1)(ii) will provide that bids and offers on complex orders, quotes, and RFR Responses for stock-option complex strategies (including a cQCC Order entered with a stock component) may be expressed in any decimal price the Exchange determines. The option component(s) of such a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order, and the stock component of such a complex order may be executed in any decimal price permitted in the equity market. Minimum increments less than \$0.01 are appropriate for stock-option orders as the stock component can trade at finer decimal increments permitted by the equity market.<sup>17</sup> Furthermore, the Exchange notes that even with the flexibility provided in the proposed rule, the individual options and stock legs must trade at increments allowed by the Commission in the options and equities markets.

To support the pricing of stock-option orders in any decimal price the Exchange determines, the Exchange is proposing to make a number of conforming changes throughout its Rulebook to clearly differentiate pricing and support of complex strategies with only option components, (which remains unchanged under this proposal in \$0.01 increments), and pricing and support of stock-option complex strategies which may be in sub-penny increments, as determined by the Exchange.

Therefore, the Exchange proposes to make a minor conforming change to the rule text of current paragraph (c)(1)(ii) of Rule 518, which will be renumbered as paragraph (c)(1)(iii). The

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<sup>17</sup> The Exchange notes that its rule text is substantially similar to the rules of other exchanges that trade stock-option orders. See supra note 3.

current rule text states that if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one other component of the complex strategy must trade at a price that is better than the corresponding MBBO. The Exchange now proposes to amend the rule to add additional detail and specificity by stating that, if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one other option component of the complex strategy must trade at a price that is better than the corresponding MBBO. The Exchange believes that clarifying that the component of the complex strategy must be an option component adds additional detail to the rule and makes it clear in the Exchange's rules that a Priority Customer bid or offer must be improved by at least \$0.01 by the option component of either a complex strategy with only option components or the option component of a stock-option complex strategy.

Additionally, the Exchange proposes to amend paragraph (i) of subsection (c)(1), Minimum Increments and Trade Prices, of Exchange Rule 518, to add additional detail and clarity to the rule text. Currently, the rule provides that, bids and offers on complex orders and quotes may be expressed in \$0.01 increments, and the component(s) of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. The Exchange now proposes to amend the rule text to provide that, bids and offers on complex orders, quotes, and RFR Responses for complex strategies having only option components may be expressed in \$0.01 increments, and the component(s) of such a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order.



Paragraph (c)(1)(i) pertains to complex strategies that have only option components (as opposed to paragraph (c)(1)(ii) which pertains to stock-option complex strategies) and therefore provides that bids, offers, and RFR Responses for complex strategies having only option components may be expressed in \$0.01 increments. The Exchange believes this change is necessary to differentiate between which strategies are required to be priced in \$0.01 increments (complex strategies having only option components) and which strategies may be priced in an increment other than \$0.01 (stock-option complex strategies). The Exchange believes this amendment provides additional detail and clarity regarding the pricing of complex strategies having only option components, which is not changing under this proposal.

The Exchange also proposes to amend the rule text of current paragraph (c)(1)(iii) of Rule 518 to make two minor conforming changes and to renumber the paragraph as new paragraph (c)(1)(iv). Currently, the rule states that, a complex order will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the MBBO of at least one component of the complex strategy. The Exchange now proposes to add additional detail and specificity to the rule to state that, a complex order will not be executed at a net price that would cause any option component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the MBBO of at least one option component of the complex strategy.<sup>18</sup> The Exchange believes that clarifying that the component of the complex strategy must be an option component

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<sup>18</sup> The Exchange proposes to make an identical conforming change to paragraph (d)(6) of Rule 518.

adds additional detail and clarity to the rule. The Exchange also proposes to make a non-substantive change to existing paragraph (c)(1)(iv) to renumber the paragraph as (c)(1)(v).

The Exchange proposes to amend subparagraph (i) of section (c)(4), Managed Interest Process for Complex Orders, of Rule 518 to add additional detail and clarity to the rule text. The managed interest process for complex orders ensures that a complex order will never be executed at a price that is through the individual component prices on the Simple Order Book.

Currently, the rule provides that, when the opposite side icMBBO<sup>19</sup> includes a Priority Customer Order, the System will book and display such booked complex order on the Strategy Book<sup>20</sup> at a price (the “book and display price”) that is \$0.01 away from the current opposite side icMBBO. The Exchange proposes to amend the rule text to provide that, when the opposite side icMBBO includes a Priority Customer Order, the System will book and display such booked complex order on the Strategy Book at a price (the “book and display price”) such that at least one option component is priced \$0.01 away from the current opposite side MBBO. The MBBO is comprised of the best bid and the best offer on the Simple Order Book on the Exchange.<sup>21</sup>

This change supports the proposed change to 518(c)(1)(iii) which provides that if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Order Book, at least one option component of the complex

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<sup>19</sup> The icMBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. For stock-option orders, the icMBBO for a complex strategy will be calculated using the best price (whether displayed or non-displayed) on the Simple Order Book in the individual option component(s), and the NBBO in the stock component. See Exchange Rule 518(a)(11).

<sup>20</sup> The “Strategy Book” is the Exchange’s electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

<sup>21</sup> See supra note 15.

strategy must trade at a price that is better than the corresponding MBBO. Together, these changes ensure that no complex strategy (either a complex strategy with only option components or a stock-option complex strategy) will execute ahead of a Priority Customer order on the Simple Order Book without improving the MBBO of at least one option component of the complex strategy by at least \$0.01.<sup>22</sup> The Exchange believes this change provides additional detail and clarity regarding the managed interest process for complex strategies with only option components and for stock-option complex strategies, and harmonizes the rule text to the System behavior.

The Exchange proposes to amend paragraph (d)(4), RFR Response, of Rule 518 to make a conforming change to the rule necessary to support pricing of stock-option complex strategies in any decimal price determined by the Exchange. Currently, Rule 518(d)(4) provides that, RFR responses may be submitted in \$0.01 increments. The Exchange proposes to amend this provision to provide that RFR Responses may be submitted in the increments defined in proposed subparagraphs (c)(1)(i) and (c)(1)(ii) of this Rule. This proposed change is consistent with the proposed change to Rule 518(c)(1), Minimum Increments and Trade Prices, as described above, and aligns the pricing of complex strategies with only option components in \$0.01, which is not changing under this proposal, and the pricing of complex strategies with an option component in any decimal price the Exchange determines as proposed herein. RFR responses submitted for a complex strategy having only options components may be expressed in \$0.01 increments as proposed in subparagraph (c)(1)(i), whereas RFR responses submitted for a stock-option complex strategy may be expressed in any decimal price the Exchange determines as proposed in subparagraph (c)(1)(ii). This change aligns RFR responses for complex strategies

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<sup>22</sup> See Exchange Rule 518(c)(1)(iv) as proposed herein.

with only options components to the current price interval for complex orders of \$0.01, which is not changing under this proposal, and aligns the pricing interval for stock-option complex strategies with the proposed change discussed herein to be in any decimal price as determined by the Exchange.<sup>23</sup>

The Exchange proposes to amend paragraph (d)(6)(i) of Rule 518 to add additional detail and clarity to the operation of the rule necessary to support pricing of stock-option complex strategies in sub-penny increments and clarify that the pricing and processing of complex strategies with only option components will remain unchanged under this proposal. Currently, the rule states that, at the conclusion of the Response Time Interval, Complex Auction-eligible orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) of Rule 518:<sup>24</sup> (i) Using \$0.01 inside the current icMBBO as the boundary (the “boundary”), the System will calculate the price where the maximum quantity of contracts can trade and also determine whether there is an imbalance.<sup>25</sup>

The Exchange now proposes to amend the rule text to state that, at the conclusion of the Response Time Interval, Complex Auction-eligible orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) of Rule 518: (i) Using \$0.01 inside the current icMBBO for complex strategies with only option components or using a decimal price increment (as determined by the Exchange) inside the current icMBBO for stock-option complex strategies as the boundary (the “boundary”) the System will calculate the price where the maximum quantity of contracts can trade and also determine whether there is an imbalance. This

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<sup>23</sup> The Exchange proposes to make an identical conforming change to Rule 518(e) for cLEP Responses.

<sup>24</sup> See Exchange Rule 518(d)(6).

<sup>25</sup> See Exchange Rule 518(d)(6)(i).

proposed change is consistent with the proposed change to Rule 518(c)(1), Minimum Increments and Trade Prices, as described above and allows the Exchange to accurately calculate prices for stock-option complex strategies. Using the same pricing increments that each complex strategy is priced in (\$0.01 for complex strategies with only option components and the decimal price increment as determined by the Exchange for stock-option complex strategies) ensures that there are no calculation or rounding errors which ensures the accuracy and integrity of the Exchange's price calculations and the System's determination of the price where the maximum quantity of contracts can trade and also the System's determination of an imbalance. The Exchange believes this change adds additional detail and clarity to the rule, by clarifying current behavior as it relates to complex strategies with only option components and facilitates the proposed change to permit pricing of complex strategies with an option component in any decimal price the Exchange determines.

The Exchange proposes to amend paragraph (d)(6)(i)(A)2.a. of Rule 518 to provide for calculations in \$0.01 increments to support complex strategies with only option components and to provide for calculations in any decimal price increment as determined by the Exchange to support stock-option complex strategies. Currently, the rule provides that, if the midpoint price is not in a \$0.01 increment, the System will round toward the midpoint of the dcMBBO<sup>26</sup> to the nearest \$0.01. The Exchange now proposes to amend the rule text to state that, for complex strategies with only option components if the midpoint price is not in a \$0.01 increment, the System will round toward the midpoint of the dcMBBO to the nearest \$0.01; for stock-option

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<sup>26</sup> The dcMBBO is calculated using the best displayed price for each component of a complex strategy from the Simple Order Book. For stock-option orders, the dcMBBO for a complex strategy will be calculated using the Exchange's best displayed bid or offer in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(8).

complex strategies, if the midpoint price is not in a decimal price increment as determined by the Exchange, the System will round toward the midpoint of the dcMBBO to the nearest decimal price increment as determined by the Exchange.

Similarly, the Exchange also proposes to amend paragraph (d)(6)(i)(A)2.b. of Rule 518 to provide for calculations in \$0.01 increments to support complex strategies with only option components and to provide for calculations in any decimal increment as determined by the Exchange to support stock-option complex strategies. Currently, the rule provides that if the midpoint of the highest and lowest prices is also the midpoint of the dcMBBO and is not in a \$0.01 increment the System will round the price up to the next \$0.01 increment. The Exchange now proposes to amend the rule text to state that, if the midpoint of the highest and lowest prices is also the midpoint of the dcMBBO and is not in a \$0.01 increment for complex strategies with only option components or in a decimal price increment as determined by the Exchange for stock-option complex strategies, the System will round the price up to the next \$0.01 increment for complex strategies with only option components or to a decimal price increment as determined by the Exchange for stock-option complex strategies.

To properly perform the internal calculations described in Exchange Rule 518(d)(6)(i)(A)2.a. and b. correctly it is imperative that the decimal increment being used in the calculation properly aligns to the decimal quoting increment being used on the Exchange for that strategy, be it for complex strategies with only options components or stock-option complex strategies. Using the appropriate decimal increment that the strategy is priced in (\$0.01 for complex strategies with only options components or any decimal price as determined by the Exchange for stock-option complex strategies) ensures that the Exchange accurately calculates the Auction Start Price to the proper decimal precision for either complex strategies with only

options components (which may only be in \$0.01 increments) or stock-option complex strategies (which may be in any price increment as determined by the Exchange). The Exchange believes these changes provide additional detail and clarification regarding the differentiation in calculations for complex strategies with only options components that are priced in \$0.01 increments, which remains unchanged under this proposal, and calculations for stock-option complex strategies, which may be priced in increments other than \$0.01. This change is necessary to support the proposed change discussed herein to price stock-option strategies in any decimal price increment as determined by the Exchange.

#### Rule 515 Execution of Orders and Quotes

##### Customer to Customer Cross Orders

The Exchange proposes to amend paragraph (h), Crossing Orders, of Rule 515, to clarify that Complex Customer Cross (“cC2C”) pricing is not changing under this proposal. Currently, subparagraph (B) of paragraph (3), of Rule 515(h), Complex Customer Cross (“cC2C”) Orders provides that cC2C Orders<sup>27</sup> may only be entered in the minimum trading increments applicable to complex orders under Rule 518(c)(1)(i). Current Rule 518(c)(1)(i) provides that the minimum trading increments applicable to complex orders is \$0.01.<sup>28</sup> The Exchange proposes to amend subparagraph (B) to state that, cC2C Orders may only be entered in minimum trading increments of \$0.01.

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<sup>27</sup> A Complex Customer Cross or “cC2C” Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity. Trading of cC2C Orders is governed by Rule 515(h)(3). See Exchange Rule 518(b)(5).

<sup>28</sup> Bids and offers on complex orders and quotes may be expressed in \$0.01 increments, and the component(s) of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order. See Exchange Rule 518(c)(1)(i).

### Complex Qualified Contingent Cross Orders

cQCC Orders<sup>29</sup> may be entered into the Exchange's System with a stock component or without the stock component. To support and facilitate the pricing proposal for stock-option strategies as proposed herein, a cQCC entered without the stock component will be treated as a complex strategy with only option components for pricing purposes (pricing in \$0.01 increments only), whereas a cQCC entered with the stock component will be treated as a complex strategy with a stock component under the Exchange's new quoting structure as proposed herein. Therefore, the Exchange proposes to amend subparagraph (B) of paragraph (4), Complex Qualified Contingent Cross ("cQCC") Orders to provide that cQCC Orders may only be entered in the minimum trading increments applicable to complex orders under proposed Rule 518(c)(1)(i) or 518(c)(1)(ii) if the cQCC Order includes the stock component upon entry.

Additionally, the Exchange proposes to adopt new subparagraph (D) to paragraph (4) of Rule 515(h) to provide a more fulsome description of cQCC Order handling of a cQCC Order entered without the stock component and a cQCC Order entered with the stock component. New subparagraph (D) will provide that, a cQCC Order may be entered with or without the stock component. A cQCC Order entered without the stock component will be treated as a complex strategy with only option components. A cQCC Order entered with the stock component shall be subject to Rule 518.01. A Member that submits a cQCC Order to the Exchange (with or without the stock component) represents that such order satisfies the requirements of a qualified

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<sup>29</sup> A Complex Qualified Contingent Cross or "cQCC" Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01, coupled with a contra-side complex order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(h)(4). See Exchange Rule 518(b)(6).



contingent trade (as described in Interpretations and Policies .01 of Rule 516) and agrees to provide information to the Exchange related to the execution of the stock component as determined by the Exchange and communicated via Regulatory Circular.<sup>30</sup>

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>31</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>32</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 that the proposed rule change benefits investors and promotes just and equitable principles of trade because it provides investors with the ability to price stock-option complex strategies with greater precision.<sup>33</sup> This provides investors with greater opportunities for execution as it allows for more accurate pricing of stock-option complex strategies. The net price of a complex strategy with a stock component may result in a price that

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<sup>30</sup> See proposed Rule 515(h)(4)(D) and see also MIAX Options Regulatory Circular 2019-19, Update regarding Regulatory Requirements when entering a Qualified Contingent Cross Order (“QCC”) or a Complex Qualified Contingent Cross Order (“cQCC”) (March 19, 2019) available at: [https://www.miaxoptions.com/sites/default/files/circular-files/MIAX\\_Options\\_RC\\_2019\\_19.pdf](https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Options_RC_2019_19.pdf).

<sup>31</sup> 15 U.S.C. 78f(b).

<sup>32</sup> 15 U.S.C. 78f(b)(5).

<sup>33</sup> The Exchange notes that other options exchanges permit stock-option orders to be priced in decimal increments. See Cboe Options Rule 5.33(f)(i)(B), Nasdaq ISE Options 3, Section 14(c)(1), and Cboe EDGX Rule 21.20(f)(1)(B).

is accurately expressed in a finer decimal increment than \$0.01 as a result of the stock ratio being used.

#### Example 1 Stock-Option Complex Strategy

The current market is:

MBBO XYZ Jan 15 Put 0.95 (10) x 1.00 (10)

NBBO XYZ Stock 20.00 (100) x 20.01 (100)

Customer strategy:

A customer order to Buy 1 XYZ Jan 15 Put and Buy 33 Shares of XYZ is received. The customer would like to pay \$1.00 for the option and pay \$20.01 for the stock for a net price \$7.6033 as per the calculation of the strategy market below.

The market for the Strategy is:

Strategy Bid = (Option Bid \* Option Ratio) + (Stock Bid \* Stock Ratio/100)

Strategy Bid = (0.95 \* 1) + (20.00 \* .33)

Strategy Bid = 7.5500

Strategy Ask = (Option Ask \* Option Ratio) + (Stock Ask \* Stock Ratio/100)

Strategy Ask = (1.00 \* 1) + (20.01 \* .33)

Strategy Ask = 7.6033

Strategy market = 7.5500 x 7.6033

As the Exchange does not support stock option strategies priced in four decimal increments this strategy would be sent to a venue that supports four decimal pricing for execution.

Under the Exchange's proposal to permit stock-option complex strategies to be expressed in any decimal price as determined by the Exchange, if the Exchange determines to price stock-option complex strategies in \$0.0001 increments, the above strategy could be placed on the Exchange's Strategy Book at its calculated net price. The customer who would like to pay \$1.00 for the option and pay \$20.01 for the stock can now pay \$1.00 for the option and pay \$20.01 for the stock for a net price of \$7.6033 as per the calculation above.

Pricing stock-option complex strategies in sub-penny increments permits more precision pricing and allows for complex strategies with a stock component to be effectively traded on the Exchange. Currently, firms that wish to execute these types of strategies will not send them to the MIAX Exchange due to the current System limitation which constrains the price to two decimal places, whereas the strategy may be more precisely priced in sub-penny increments on

exchanges that permit sub-penny pricing of stock-option complex strategies to four decimal places.<sup>34</sup>

Further, the Exchange believes that the proposed rule change removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by offering similar functionality to Members that can be found on other competing option exchanges.<sup>35</sup> Competition benefits investors by providing investors an additional venue to choose from when making order routing decisions.

Additionally, the Exchange believes its proposal to leave Complex Customer Cross Order functionality unchanged promotes just and equitable principles of trade, removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. A Complex Customer Cross Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity.<sup>36</sup> Complex Customer Cross Orders are not exposed to the marketplace and are executed upon entry, provided that the execution is at least \$0.01 better than the icMBBO, or the best net price of a complex order on the Strategy Book, whichever is more aggressive.<sup>37</sup> The Exchange believes that requiring a minimum improvement of \$0.01 benefits investors and the public interest as it is not a de minimis price improvement amount. Further, the Exchange does not believe that Members on the Exchange are disadvantaged in any way by not being able to execute Complex Customer Cross Orders with a stock component in a sub-penny interval, as Members may use the cQCC Order type for stock-

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<sup>34</sup> See id.

<sup>35</sup> See id.

<sup>36</sup> See Exchange Rule 518(b)(2)(d).

<sup>37</sup> See Exchange Rule 515(h)(3).

option complex strategies, or expose their stock-option complex strategy order to the market via the Exchange's cPRIME for price improvement in sub-penny increments.

To support the pricing of stock-option orders in any decimal price the Exchange determines, the Exchange is proposing to make a number of non-substantive conforming changes throughout its rules to clearly differentiate pricing and support of complex strategies with only option components, (which remains unchanged under this proposal in \$0.01 increments), and pricing and support of stock-option complex strategies, which may be in any decimal price the Exchange determines. The Exchange believes that its proposed non-substantive changes to add additional detail and clarity to the Exchange's rulebook benefits investors and the public interest as it provides transparency and eliminates the potential for confusion regarding the operation of the Exchange's rules.

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 intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Members of the Exchange that transact stock-option complex strategies will be able to price stock-option complex strategies in more precise increments.<sup>38</sup>

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<sup>38</sup> The Exchange notes that an updated FIX Order Interface Specification was published on 11/12/2021 to apprise Members of the change in pricing increments from \$0.01 to \$0.0001 for stock-option orders. See MIAX Options, Options Order Management using FIX Protocol, FIX Interface Specification, version: 2.5a (11/2/2021) available at [https://www.miaxoptions.com/sites/default/files/page-files/FIX\\_Order\\_Interface\\_FOI\\_v2.5a.pdf](https://www.miaxoptions.com/sites/default/files/page-files/FIX_Order_Interface_FOI_v2.5a.pdf).

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that its proposal may benefit inter-market competition as other competing option exchanges offer similar price precision for stock-option complex strategies.<sup>39</sup>

Additionally, the non-substantive changes proposed by the Exchange will have no impact on competition as they provide additional clarity and detail in the Exchange's rules and are not changes made for any competitive purpose.

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 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)

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<sup>39</sup> See CboeEDGX Exchange Rule 21.20(f)(1)(B) which provides that Users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The option leg(s) of a stock-option order may be executed in \$0.01 increments, regardless of minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market; and Cboe Exchange Rule 5.33(f)(1)(B) which similarly provides that Users may express bids and offers for a stock-option order (including a QCC with Stock Order) in any decimal price the Exchange determines. The minimum increment for the option leg(s) of a stock-option order is \$0.01 or greater, which the Exchange may determine on a class-by-class basis, regardless of the minimum increments otherwise applicable to the option leg(s), and the stock leg of a stock-option order may be executed in any decimal price permitted in the equity market. See also Tradedesk Updates, Cboe Options Exchange Announces Support for QCC with an Equity Leg and Improved Pricing Precision on Complex Orders with an Equity Leg (March 2, 2018) (allowing a price with four decimal places on all complex orders that include a stock leg and that are routed for electronic trading) available at [https://cdn.cboe.com/resources/release\\_notes/2018/QCC-w-equity-leg-and-CPS-4-digit-decimal.pdf](https://cdn.cboe.com/resources/release_notes/2018/QCC-w-equity-leg-and-CPS-4-digit-decimal.pdf).

become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>40</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>41</sup> the Commission may 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. The Exchange states that other options exchanges currently allow bids and offers for stock-option orders to be expressed in any decimal price the exchange determines and that waiver of the operative delay will benefit investors by immediately providing them with an additional venue that offers sub-penny pricing for stock-option orders. The Exchange further states that its proposal does not introduce new regulatory issues. The Commission finds that waiving the operative delay is consistent with the protection of investors and the public interest because other options exchanges currently allow market participants to express bids and offers for stock-option orders in any decimal price the exchange determines,<sup>42</sup> and waiver of the operative delay will immediately provide investors with an additional venue that allows them to express bids and offers for stock-option orders in this manner. As discussed above, the Exchange believes that the proposal will permit more precise and accurate pricing of stock-option complex strategies, which could provide investors with additional execution opportunities. The Commission notes that although the proposal will allow bids and offers for

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<sup>40</sup> 17 CFR 240.19b-4(f)(6).

<sup>41</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>42</sup> See supra note 3.

stock-option orders to be expressed in any decimal price the Exchange determines, the option component(s) of such an order will continue to be executed in \$0.01 increments. In addition, the Exchange's rules will continue to protect Priority Customer interest by providing, among other things, that if any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Book, at least one other option component of the complex strategy must trade at a price that is better than the corresponding MBBO.<sup>43</sup> The proposal also protects investors by codifying in the Exchange's rules that a member that submits a cQCC order to the Exchange (with or without the stock component) represents that the order satisfies the requirements of a qualified contingent trade and agrees to provide information to the Exchange related to the execution of the stock component of the order. For these reasons, the Commission designates the proposal operative upon filing.<sup>44</sup>

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.

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<sup>43</sup> See proposed Exchange Rule 518(c)(1)(iii). See also proposed Exchange Rule 518(c)(1)(iv) (stating that a complex order will not be executed at a net price that would cause any option component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the MBBO of at least one option component of the complex strategy).

<sup>44</sup> For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

#### 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-2022-17.

##### 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-2022-17. 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-2022-17, 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>45</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>45</sup> 17 CFR 200.30-3(a)(12), (59).