Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2023 - * 01

Amendment No. (req. for Amendments *)

Filing by   Miami International Securities Exchange, LLC.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑   Amendment * ☐   Withdrawal ☐   Section 19(b)(2) * ☐   Section 19(b)(3)(A) * ☑   Section 19(b)(3)(B) * ☐

Pilot ☐   Extension of Time Period for Commission Action * ☐   Date Expires *

Rule

19b-4(f)(1) ☐   19b-4(f)(4) ☐
19b-4(f)(2) ☐   19b-4(f)(5) ☐
19b-4(f)(3) ☐   19b-4(f)(6) ☑

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐   Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐   Exhibit 3 Sent As Paper Document ☐

Description

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

Allow complex orders with non-conforming ratios to be processed by the Exchange

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 * Greg   Last Name * Ziegler

Title * Senior Counsel

E-mail * gziegler@miaxoptions.com

Telephone * (609) 897-1483   Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Miami International Securities Exchange, I has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date   01/19/2023   (Title *)

By   Gregory P. Ziegler   Senior Counsel
(Name *)

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

Gregory Ziegler   Date: 2023.01.19 09:57:35 -05'00'

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

| **Form 19b-4 Information *** | 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. |

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SR-MIAX-2023-01 19b4 20230117.dc

Exhibit 1 - Notice of Proposed Rule Change *

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SR-MIAX-2023-01 - Exhibit 1.docx

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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SR-MIAX-2023-01 Exhibit 5 20230117

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

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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" or "Exchange"), pursuant to

the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule

19b-4 thereunder,[2] proposes to amend Exchange Rule 518, Complex Orders.

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

or duly designated representative pursuant to authority delegated by the MIAX Board of

Directors on June 16, 2022. 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, Vice President and Senior Counsel, at (609) 897-1483.

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

[2]   17 CFR 240.19b-4.

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

a.   <u>Purpose</u>

The Exchange proposes to amend Rule 518, Complex Orders, to (i) adopt definitions for the terms "conforming ratio," and "non-conforming ratio;" (ii) amend the current definition of a complex order to incorporate the proposed conforming and non-conforming ratio definitions; (iii) adopt new subsection (v) to Exchange Rule 518(c)(1) to describe the processing of a complex order with a non-conforming ratio; (iv) amend Exchange Rule 518(c)(2)(ii) to distinguish icMBBO protection for complex orders with conforming ratios and complex orders with non-conforming ratios; and (v) make minor clarifying edits throughout Exchange Rule 518 to distinguish order handling of complex orders with conforming ratios. Additionally, the Exchange proposes to amend Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism, to describe new scenarios which will cause a cPRIME Auction[3] to terminate prior to the end of the RFR period. Finally, the Exchange proposes to update Exchange Rule 515 and Rule 516 to correct internal cross references that have changed as a result of this proposal.

<u>Background</u>

Currently 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

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3   Members may use PRIME to execute complex orders at a net price. "cPRIME" is the process by which a Member may electronically submit a cPRIME Order (as defined in Rule 518(b)(7)) it represents as agent (a "cPRIME Agency Order") against principal or solicited interest for execution (a "cPRIME Auction"). <u>See</u> Exchange Rule 515A, Interpretations and Policies .12(a).

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[4] 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, are eligible for processing.

Proposal

Currently the Exchange will accept a complex order comprised solely of option components in a ratio that is equal to or greater than one-to-three (.333) or less than or equal to three-to-one (3.00).[5] The Exchange now proposes to accept complex orders comprised solely of options with ratios larger than three-to-one or smaller than one-to-three. To support its proposal the Exchange proposes to adopt a definition for a "conforming ratio" to refer to complex orders where the ratio between the sizes of the components of a complex order comprised solely of options is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00).[6] Additionally, the Exchange proposes to adopt a definition for a "non-conforming ratio" to refer to complex orders where the ratio between the sizes of the components of a complex order comprised solely of options is greater than three-to-one (3.00) or less than one-to-three (.333).[7]

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[4]   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.

[5]   See Exchange Rule 518(a)(5).

[6]   See proposed Rule 518(a)(8).

[7]   See proposed Exchange Rule 518(a)(16).

Subsequently, the Exchange proposes to amend Exchange Rule 518(c)(1)(iii) and

(c)(1)(iv) to insert the phrase, "with a conforming ratio," to provide additional detail and clarity

to the rule text. Specifically, current Rule 518(c)(1)(iii) provides that, "[i]f any component of a

complex strategy would be executed at a price that is equal to a Priority Customer[8] 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."[9] The Exchange now proposes to

amend this rule to provide that, "[i]f any component of a complex strategy **with a conforming**

ratio 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."

Similarly, current Rule 518(c)(1)(iv) provides 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[10] on the Simple Order

Book[11] without improving the MBBO of at least one option component of the complex strategy."

The Exchange now propose to amend this rule to provide that, "[a] complex order **with a**

conforming ratio 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

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[8]   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.

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

[10]   The term "Priority Customer Order" means an order for the account of a Priority
        Customer. See Exchange Rule 100.

[11]   The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes.
        See Exchange Rule 518(a)(15).

Order on the Simple Order Book without improving the MBBO of at least one option component of the complex strategy." The proposed changes to Rule 518(c)(1)(iii) and (c)(1)(iv) will make clear that existing complex priority provisions apply only to complex orders with conforming ratios.

The Exchange proposes to renumber current paragraph (c)(1)(v) to new paragraph (c)(1)(vi) and to adopt new paragraph (v) to provide that, "[a] complex order with a non-conforming ratio 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; (B) ahead of a Priority Customer Order at the MBBO on the Simple Order Book; or (C) at a price that is through the NBBO."[12] Therefore, a complex order with any ratio less than one-to-three or greater than three-to-one may be executed at a net price only if each leg of the complex order betters the corresponding bid (offer) of a Priority Customer Order(s) on the Simple Order Book, and is not at a price that is through the NBBO. These requirements are consistent with the rules of other option exchanges that process complex orders in the same ratios.[13]

In addition, icMBBO[14] protection will apply to both conforming and non-conforming strategies as executions of complex orders (with either conforming or non-conforming ratios) must comply with Exchange Rule 518(c)(2)(ii).[15] Accordingly, the Exchange proposes to amend

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

[13] See Cboe Exchange Rule 5.33(f)(2)(A)(iv)(b), and BOX Options Rule 7240(b)(2)(iii).

[14] The Implied Complex MIAX Best Bid or Offer ("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. See Exchange Rule 518(a)(11).

[15] Exchange Rule 518(c)(2)(ii) provides that incoming complex orders and quotes will be executed by the System in accordance with the provisions set forth in Exchange Rule

Rule 518(c)(2)(ii) to provide additional detail related to pricing for conforming and non-conforming strategies. Specifically, the Exchange proposes to add a clarifying parenthetical statement to the first sentence to clearly differentiate the rules that apply to executions of complex orders with conforming ratios and complex orders with non-conforming rations when there is Priority Customer interest at the MBBO. Specifically, the proposed sentence will state, "Incoming complex orders and quotes will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price (complex orders with conforming ratios will be executed in accordance with Rule 518(c)(1)(iv) and complex orders with non-conforming ratios will be executed in accordance with Rule 518(c)(1)(v)." With this amendment the Exchange represents that the complex order priority rules will protect Priority Customer interest on the Simple Order Book.

The Exchange does not propose to extend the complex order priority afforded to complex orders with conforming ratios to those with non-conforming ratios. Execution of complex orders with conforming ratios will be unchanged under the Exchange's proposal and these orders will continue to 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.

518, and will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price.

The Exchange also proposes to amend the current definition of a complex order as described in Rule 518(a)(5) to include the terms conforming or non-conforming ratios as those terms are defined in the Rule.

The Exchange also proposes to amend Interpretations and Policies .12(d) of Exchange Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism to adopt two new paragraphs which will describe new scenarios that arise as a result of the Exchange processing complex orders with non-conforming ratios, which will cause a cPRIME Auction to terminate prior to the end of the RFR period.

Currently Interpretations and Policies .12(d) of Exchange Rule 515A, provides that, a cPRIME Auction shall conclude at the sooner of (i)[16] through (vii) as listed in the Rule below with the cPRIME Agency Order executing pursuant to Rule 515A(2)(iii). The Exchange proposes to describe two new scenarios that will terminate a cPRIME Auction prior to the conclusion of the RFR period as subparagraphs (viii) and (ix), as described more fully below. Consequently, the Exchange proposes to amend the first sentence of Interpretations and Policies .12(d) of Exchange Rule 515A to account for the addition of these scenarios. As proposed, the new sentence would provide that, "[a] cPRIME Auction shall conclude at the sooner of (i) through (ix) below with the cPRIME Agency Order executing pursuant to Rule 515A(2)(iii) below:"

The Exchange proposes to adopt paragraph (viii) to Interpretations and Policies .12(d) of Rule 515A to provide that, "a Priority Customer Order, eligible to rest on the Simple Order Book, is received on either side of the market as the cPRIME Agency Order with a non-

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[16]   The end of the RFR Period. See Interpretations and Policies .12(d)(i) of Exchange Rule 515A.

conforming ratio, and causes any component of the cPRIME Agency Order to lock or cross a

Priority Customer Order at (A) the best price opposite the cPRIME Agency Order; or (B) the

initiating price." The Exchange also proposes to adopt paragraph (ix) to provide that, "the

NBBO for a component of a cPRIME Agency Order with a non-conforming ratio updates to a

price that would cause any option component of the cPRIME Agency Order to be executed at a

price through the NBBO for that series."

These provisions ensure that a cPRIME Agency Order will always receive the best price

on the Exchange while simultaneously preserving the integrity of the simple market by

preventing a component of an order with a non-conforming ratio from trading ahead of Priority

Customer interest or trading through the NBBO.

Example 1

A Priority Customer Order in a component of the strategy, eligible to rest on the Simple Order
Book, is received on the same side of the market as the cPRIME Agency Order with a non-
conforming ratio, and causes a component of the cPRIME Agency Order to lock a Priority
Customer Order at the best price opposite the cPRIME Agency Order.

MIAX – LMM[17] Sep 50 Call 1.81-1.82 (10x10)

MIAX – LMM Sep 55 Call 1.29-1.30 (10x10)

MIAX – Priority Customer Sep 55 Call order to sell 10 at 1.30[18]

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[17]   The term "Lead Market Maker" means a Member registered with the Exchange for the
         purpose of making markets in securities traded on the Exchange and that is vested with
         the rights and responsibilities specified in Chapter VI of these Rules with respect to Lead
         Market Makers. When a Lead Market Maker is appointed to act in the capacity of a
         Primary Lead Market Maker, the additional rights and responsibilities of a Primary Lead
         Market Maker specified in Chapter VI of these Rules will apply. See Exchange Rule 100.

[18]   A leg of a non-conforming strategy may not execute ahead of a Priority Customer Order
         at the MBBO on the Simple Order Book, therefore while there is a Priority Customer
         Order priced at 1.30 for the Sep 55 Call, the price used for this leg to establish the net
         price will be 1.29. See proposed Exchange Rule 518(c)(1)(v). (The Auction starts as the

Strategy: Buy 1 Sep 50 Call, Sell 1 Sep 55 Call

The icMBBO[19] is 0.51 debit bid and 0.53 credit offer

The Exchange receives a cPRIME Order with a non-conforming ratio with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 0.52, (Buy Sep 50 Call at 1.82, Sell Sep 55 Call at 1.30) 500 times. (Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.)

Since the order price is at least $0.01 better than (inside) the icMBBO and the best net price of any order for the Strategy on the Strategy Book, a cPRIME Auction can begin.[20]

A Request for Responses ("RFR") is broadcast to all subscribers and the RFR period is started.

The following responses are received:

•   @ 70 milliseconds MM1 response, cAOC eQuote @ 0.52 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

•   @ 85 milliseconds a Priority Customer simple order bid to pay 1.81 for 10 Sep 50 Calls arrives

Since the pre-existing simple order to sell at 1.30 is Priority Customer, the tradable component prices of the cPRIME Order are 1.81 for the Sep 50 Call and 1.29 for the Sep 55 Call, for a net debit price of 0.52.

However, because the new order to buy at 1.81 is also Priority Customer and causes a tradable component of the cPRIME Agency Order (Sep 50 Call) to lock a Priority Customer Order at the best price opposite the cPRIME Agency Order, the cPRIME Auction will terminate.

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net price of 0.52 may still be achieved if the other leg in the strategy (Sep 50 Call) can be executed at 1.81.)

[19]   The Implied Complex MIAX Best Bid or Offer ("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. See Exchange Rule 518(a)(11).

[20]   The initiating price for a cPRIME Agency Order must be better than (inside) the icMBBO for the strategy and any other complex orders on the Strategy Book. The System will reject cPRIME Agency Orders submitted with an initiating price that is equal to or worse than (outside) the icMBBO or any other complex orders on the Strategy Book. See Interpretations and Policies .12(a)(i) of Exchange Rule 515A.

The cPRIME Auction is concluded prior to the end of the Response Time Interval to prevent the cPRIME Agency Order from trading ahead of a Priority Customer in any component of the cPRIME Agency Order.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

•   The cPRIME Agency Order buys 400 from the Contra side @ 0.52

•   The cPRIME Agency Order buys 100 from MM1 @ 0.52

Example 2

A Priority Customer Order in a component of the strategy, eligible to rest on the Simple Order Book, is received on the opposite side of the market from the cPRIME Agency Order with a non-conforming ratio, and causes a component of the cPRIME Agency Order to lock a Priority Customer at the initiating price.

>   MIAX – LMM Sep 50 Call 1.81-1.82 (10x10)

>   MIAX – LMM Sep 55 Call 1.29-1.30 (10x10)

>   MIAX – Priority Customer Sep 55 Call order to buy 10 at 1.29

>   Strategy: Buy 1 Sep 50 Call, Sell 1 Sep 55 Call

The icMBBO is 0.51 debit bid and 0.53 credit offer

The Exchange receives a cPRIME Order with a non-conforming ratio with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 0.52, (Buy Sep 50 Call at 1.82, Sell Sep 55 Call at 1.30), 500 times. (Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.)

Since the order price is at least $0.01 better than (inside) the icMBBO and the best net price of any order for the Strategy on the Strategy Book, a cPRIME Auction can begin.

A Request for Responses ("RFR") is broadcast to all subscribers and the RFR period is started.

The following responses are received:

•   @ 70 milliseconds MM1 response, cAOC eQuote @ 0.52 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

- @ 85 milliseconds a Priority Customer simple order offer to sell at 1.82 for 10 Sep 50 Calls arrives

Since the pre-existing simple order to buy Sep 55 Call at 1.29 is Priority Customer, the tradable component prices of the cPRIME Order are 1.82 for the Sep 50 Call and 1.30 for the Sep 55 Call, for a net debit price of 0.52.

However, because the new order to sell at 1.82 is also Priority Customer and causes a tradable component of the cPRIME Agency Order (Sep 50 Call) to lock a Priority Customer Order at the initiating price; the cPRIME Auction will terminate.

The cPRIME Auction is concluded prior to the end of the Response Time Interval to prevent the cPRIME Agency Order from trading ahead of a Priority Customer in any component of the cPRIME Agency Order.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

- The cPRIME Agency Order buys 400 from the Contra side @ 0.52

- The cPRIME Agency Order buys 100 from MM1 @ 0.52

Example 3

The NBBO for a component of a cPRIME Agency Order with a non-conforming ratio updates to a price that would cause a component to trade through the NBBO.

> MIAX – LMM Sep 50 Call 1.81-1.82 (10x10)

> MIAX – LMM Sep 55 Call 1.29-1.30 (10x10)

> MIAX – Priority Customer Sep 55 Call order to buy 10 at 1.29

> Strategy: Buy 1 Sep 50 Call, Sell 1 Sep 55 Call

The icMBBO is 0.51 debit bid and 0.53 credit offer

The Exchange receives a cPRIME Order with a non-conforming ratio with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 0.52, (Buy Sep 50 Call at 1.82, Sell Sep 55 Call at 1.30), 500 times. (Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.)

Since the order price is at least $0.01 better than (inside) the icMBBO and the best net price of any order for the Strategy on the Strategy Book, a cPRIME Auction can begin.

A Request for Responses ("RFR") is broadcast to all subscribers and the RFR period is started.

The following responses are received:

•   @ 70 milliseconds MM1 response, cAOC eQuote @ 0.52 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

The ABBO updates to 1.80-1.81 (10x10) for the Sep 50 Call

Since the pre-existing simple order to buy Sep 55 Call at 1.29 is Priority Customer, the tradable component prices of the cPRIME order are 1.82 for the Sep 50 Call and 1.30 for the Sep 55 Call, for a net debit price of 0.52.

However, because the ABBO update to sell Sep 50 Call at 1.81 is better than the local best offer (1.82), this causes the tradable price to be through the NBBO for that component and is no longer tradable.

The cPRIME Auction is concluded prior to the end of the Response Time Interval to prevent the non-conforming strategy trading through any component NBBO.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

•   The cPRIME Agency Order buys 400 from the Contra side @ 0.52

•   The cPRIME Agency Order buys 100 from MM1 @ 0.52

The Exchange also proposes to allow bids and offers on complex orders, quotes and RFR Responses for complex strategies having only option components and a non-conforming ratio to 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. The Exchange notes that electronic trading of complex orders with non-conforming ratios in one cent increments was recently established on

another exchange.[21] Further, the Exchange notes that complex orders with conforming ratios are currently traded in one cent increments on the Exchange[22] and the proposed change will allow trading of complex orders in one cent increments for all complex orders on the Exchange.

The Exchange understands that there may be some concerns that if the ratios of complex orders, where each component leg is allowed to trade in one cent increments, are too greatly expanded, market participants will, for example, enter complex orders with non-conforming ratios designed primarily to trade orders in a class in pennies that cannot otherwise execute as simple orders in that class in pennies. The Exchange believes it is highly unlikely that market participants will submit non-bona-fide trading strategies with larger ratios just to trade in penny increments. Adding a single leg to a larger order just to obtain penny pricing may further reduce execution opportunities for such an order because it may be less likely that sufficient contracts in the appropriate ratio would be available and because it is unlikely that other market participants would be willing to execute against an order that is not a bona-fide trading strategy. Further, the Exchange notes that all option series traded on the Exchange can currently trade in penny increments in the Exchange's Price Improvement Mechanism ("PRIME") regardless of the minimum increment otherwise applicable.[23] Lastly, the Exchange notes that pursuant to Exchange Rule 301, no Member shall engage in acts or practices inconsistent with just and equitable principles of trade, and entering orders for non-bona-fide trading strategies may constitute acts or practices inconsistent with just and equitable principles of trade.

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[21]   See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046) and Cboe Rule 5.4(b); see also BOX Options Rule 7240(b)(1).

[22]   See Exchange Rule 518(c)(1)(i).

[23]   See Exchange Rule 515A(a)(2)(i)(F).

Finally, the Exchange proposes to make non-substantive edits to Exchange Rule 515 and Rule 516, to update internal cross references to the location of certain definitions that have changed as a result of this proposal.

Implementation

The Exchange will announce the implementation of complex orders with non-conforming strategies by Regulatory Circular at least 48 hours prior to implementation of this functionality, as the Exchange believes that 48 hours of notice is adequate for Members.

b.   Statutory Basis

The Exchange believes that its proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act,[24] 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section (6)(b)(5)[25] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange currently only processes complex orders that fit within the proposed definition of a conforming ratio, that is complex orders with a ratio between the sizes of the option

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[24]   15 U.S.C. 78f(b).

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

components 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.[26]

In particular, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and benefit investors, because it will allow market participants to execute complex strategies with option components only in ratios greater than three-to-one or less than one-to-three ("non-conforming ratios" as proposed herein). The proposed rule change will further remove impediments to and perfect the mechanism of a free and open market and a national market system, as other options exchanges permit the trading of complex orders with any ratio.[27]

The proposed change rule change will continue to protect Priority Customer Order interest on the Simple Order Book in the same manner as it does today, as all complex orders with a conforming ratio will continue to be executed on the Exchange without change. The proposed rule change has no impact on the priority of complex orders with a conforming ratio, as complex orders with a conforming ratio will continue to be required to improve the price of a leg of the complex order for which a Priority Customer Order is resting at the BBO in the Simple Order Book,[28] and thus will continue to protect Priority Customer Orders in the Simple Order Book. Additionally, the Exchange will not allow any component of a complex order with a non-conforming strategy to execute ahead of a Priority Customer resting at the BBO in the Simple Order Book.[29]

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[26]   See Exchange Rule 518(a)(5).

[27]   See Cboe Exchange Rules 1.1 (Complex Order) and 5.33; see also BOX Exchange Rule 7240(a)(10), (b)(1) and (b)(2)(iii).

[28]   See Exchange Rule 518(c)(3).

[29]   See proposed Rule 518(c)(1)(v).

Additionally, the Exchange believes the proposed amendment to revise Exchange Rule 518(c)(2) to indicate icMBBO protection for complex orders with conforming ratios will require those orders to be executed in accordance with Rule 518(c)(1)(iv) and complex orders with non-conforming ratios to be executed in accordance with Rule 518(c)(1)(v) will clarify the operation of the icMBBO protection for complex orders with a conforming ratio and complex orders with a non-conforming ratio. This change benefits investors and the public as it clarifies that the complex order priority rules will continue to protect Priority Customer interest on the Simple Order Book.

The Exchange believes the proposed changes will increase opportunities for execution of complex orders and lead to tighter spreads on the Exchange, which will benefit all investors. The Exchange also believes that the proposed rule change is designed to not permit unfair discrimination among market participants, as all market participants may trade complex orders, and the priority and eligibility requirements apply to complex orders of all market participants.

Additionally, the Exchange believes that including additional scenarios which will terminate a cPRIME Auction promotes just and equitable principles of trade and removes impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality. These provisions ensure that a cPRIME Agency Order will always receive the best price on the Exchange while simultaneously preserving the integrity of the simple market.

The Exchange believes that its proposal is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free an open market and a national market system, and, in general to protect investors and the public interest, by enhancing

its System[30] and rules governing complex orders. The Exchange's proposal should provide market

participants with trading opportunities more closely aligned with their investment or risk

management strategies.

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

The Exchange does not believe that the proposed rule change will impose any burden on

competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe that its proposed rule change will impose any burden on

intra-market competition as the Rules of the Exchange apply equally to all Members of the

Exchange and all Members may submit complex orders. Therefore, any Member of the Exchange

may submit a complex order with a conforming or non-conforming ratio and the order will be

handled in a uniform fashion by the System.

The Exchange does not believe that its 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, rather the Exchange believes that its proposal will promote inter-market competition. The

Exchange notes that other options exchanges provide for the electronic trading of complex orders

with only option components with ratios that are less than one-to-three and greater than three-to-

one, and allow these orders to be priced and executed in one cent increments.[31] As such, the

Exchange does not believe that the proposed rule change will impose any burden on competition

not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe the proposed amendment to clarify icMBBO protections

imposes any burden on intra-market competition that is not necessary or appropriate in furtherance

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

[31]   See Cboe Exchange Rule 5.4(b); see also BOX Exchange Rule 7240(b)(1).

of the purposes of the Act. Complex orders submitted by Members with conforming ratios will continue to be handled by the System without change. Complex orders submitted by Members with non-conforming ratios will be handled uniformly by the System as described in this proposal. The Exchange does not believe that this proposed change imposes any burden on inter-market competition as the icMBBO protection is designed to protect Priority Customer priority on the Exchange's Book and is not a change made for competitive reasons.

Additionally, the Exchange does not believe that its new proposed scenarios to terminate a cPRIME Auction imposes any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed changes are designed to add additional detail to the rules to further clarify the operation of Exchange functionality and to minimize the potential for confusion. The Exchange does not believe that this proposed change imposes any burden on inter-market competition as this change is designed to protect Priority Customer priority on the Exchange's Book and is not a change made for competitive reasons.

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

No written comments were either solicited or received.

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[32] and Rule 19b-4(f)(6)[33] thereunder, the

Exchange has designated this proposal as one that effects a change that: (i) does not significantly

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[32]   15 U.S.C. 78s(b)(3)(A).

[33]   17 CFR 240.19b-4(f)(6).

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 its proposal to process complex orders with non-

conforming ratios significantly affects the protection of investors or the public interest. The

proposed rule change will not significantly affect the protection of investors or the public interest

as there is no change to the handling of complex orders with conforming ratios and the

Exchange's proposal to process complex orders with non-conforming ratios is not new or unique

functionality that has not been previously filed with the Commission, found to be inconsistent

with the Act, or is not available on other exchanges.[34]

The Exchange does not believe that its proposal will impose a burden on intra-market

competition, as the proposed change applies equally to all market participants that wish to submit

complex orders with non-conforming ratios to the Exchange. The Exchange does not believe

that its proposal to process complex orders with non-conforming ratios imposes any burden on

inter-market competition as other option exchanges offer similar functionality,[35] but rather

improves competition by offering similar functionality as offered by other option exchanges

thereby providing investors multiple venues to choose from when making order routing

decisions. The proposed change protects investors and the public interest by establishing an

additional venue for market participants to electronically execute complex orders with non-

conforming ratios, giving investors greater flexibility and a choice of where to send their orders.

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[34]   See supra note 31.

[35]   See supra note 27.

Market participants may find it more convenient to access one exchange over another or may choose to concentrate volume at a particular exchange in order to maximize the impact of volume-based incentive programs, or may prefer the trade execution services of one exchange over another.

The Exchange's proposal to amend paragraph (c)(2)(ii) of Rule 518 to adopt a new parenthetical relating to execution prices for complex orders with conforming ratios and non-conforming ratios when there is Priority Customer interest at the MBBO, provides additional detail and clarity concerning the pricing and execution of complex orders on the Exchange. The Exchange believes the proposed change continues to protect Priority Customer Order priority on the Exchange.

Additionally, the Exchange's proposed rule change to include two new paragraphs that describe additional scenarios that will terminate a cPRIME Auction does not significantly affect the protection of investors or the public interest as this change is designed to ensure the integrity of the Exchange's simple and complex markets. The Exchange notes that there are currently six conditions[36] that will cause a cPRIME Auction to terminate prior to the end of the RFR period, and the Exchange is proposing to adopt two new paragraphs describing additional scenarios. Terminating a cPRIME Auction for a complex order with a non-conforming ratio under certain scenarios as described in this proposal, ensures that a cPRIME Agency Order will always receive the best price on the Exchange while simultaneously preserving the integrity of the simple market by preventing orders executed in a cPRIME Auction from possibly trading through the Exchange's simple market, and in the case of a complex order with a non-conforming ratio, trading at the same price as Priority Customer interest.

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[36]   See Exchange Rule 515A.12(d)(ii) – (vii).

Therefore, the Exchange believes that the proposed rule change is well-suited for, and meets the standards applicable to, the Commission's treatment of non-controversial proposals under Section 19(b)(3)(A) of the Act[37] and Rule 19b-4(f)(6) thereunder.[38] Accordingly, for the reasons stated above, the Exchange believes that the proposed rule change is non-controversial and is therefore eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

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. However, Rule 19b-4(f)(6)[39] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiver of the operative delay would allow the Exchange to immediately offer market participants the choice of another execution venue for the electronic trading of complex orders with non-conforming ratios. As noted above, market participants may benefit from competition between exchanges, may find the trade execution services and fees on one exchange more favorable than another, or may find it more convenient to access on exchange over another. As

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[37]   15 U.S.C. 78s(b)(3)(A).

[38]   17 CFR 240.19b-4(f)(6).

[39]   17 CFR 240.19b-4(f)(6).

such, the Exchange believes that waiving the operative delay will allow the Exchange to

immediately make a competitive offering to market participants.

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.

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

The Exchange notes that its proposal as it relates to complex orders with non-conforming

ratios establishes the same requirements for these orders as Cboe and BOX Options rules.[40]

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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[40]   See supra notes 27 and 31.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-MIAX-2023-01)

January _____, 2023

      Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC to Amend Exchange 518, Complex Orders

      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 January____, 2023, 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.   <u>Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change</u>

      The Exchange is filing a proposal to amend Exchange Rule 518, Complex Orders.

      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.   <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

      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

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

[2]   17 CFR 240.19b-4.

in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C

below, of the most significant aspects of such statements.

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

> > 1.   Purpose

The Exchange proposes to amend Rule 518, Complex Orders, to (i) adopt definitions for

the terms "conforming ratio," and "non-conforming ratio;" (ii) amend the current definition of a

complex order to incorporate the proposed conforming and non-conforming ratio definitions;

(iii) adopt new subsection (v) to Exchange Rule 518(c)(1) to describe the processing of a

complex order with a non-conforming ratio; (iv) amend Exchange Rule 518(c)(2)(ii) to

distinguish icMBBO protection for complex orders with conforming ratios and complex orders

with non-conforming ratios; and (v) make minor clarifying edits throughout Exchange Rule 518

to distinguish order handling of complex orders with conforming ratios. Additionally, the

Exchange proposes to amend Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and

PRIME Solicitation Mechanism, to describe new scenarios which will cause a cPRIME Auction[3]

to terminate prior to the end of the RFR period. Finally, the Exchange proposes to update

Exchange Rule 515 and Rule 516 to correct internal cross references that have changed as a

result of this proposal.

Background

Currently 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"

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[3]   Members may use PRIME to execute complex orders at a net price. "cPRIME" is the
        process by which a Member may electronically submit a cPRIME Order (as defined in
        Rule 518(b)(7)) it represents as agent (a "cPRIME Agency Order") against principal or
        solicited interest for execution (a "cPRIME Auction"). See Exchange Rule 515A,
        Interpretations and Policies .12(a).

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[4] 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, are eligible for processing.

Proposal

Currently the Exchange will accept a complex order comprised solely of option components in a ratio that is equal to or greater than one-to-three (.333) or less than or equal to three-to-one (3.00).[5] The Exchange now proposes to accept complex orders comprised solely of options with ratios larger than three-to-one or smaller than one-to-three. To support its proposal the Exchange proposes to adopt a definition for a "conforming ratio" to refer to complex orders where the ratio between the sizes of the components of a complex order comprised solely of options is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00).[6] Additionally, the Exchange proposes to adopt a definition for a "non-conforming ratio" to refer to complex orders where the ratio between the sizes of the components of a complex order comprised solely of options is greater than three-to-one (3.00) or less than one-to-three (.333).[7]

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[4]   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.

[5]   See Exchange Rule 518(a)(5).

[6]   See proposed Rule 518(a)(8).

[7]   See proposed Exchange Rule 518(a)(16).

Subsequently, the Exchange proposes to amend Exchange Rule 518(c)(1)(iii) and

(c)(1)(iv) to insert the phrase, "with a conforming ratio," to provide additional detail and clarity

to the rule text. Specifically, current Rule 518(c)(1)(iii) provides that, "[i]f any component of a

complex strategy would be executed at a price that is equal to a Priority Customer[8] 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."[9] The Exchange now proposes to

amend this rule to provide that, "[i]f any component of a complex strategy **with a conforming**

ratio 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."

Similarly, current Rule 518(c)(1)(iv) provides 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[10] on the Simple Order

Book[11] without improving the MBBO of at least one option component of the complex strategy."

The Exchange now propose to amend this rule to provide that, "[a] complex order **with a**

conforming ratio 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

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[8]   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.

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

[10]   The term "Priority Customer Order" means an order for the account of a Priority Customer. See Exchange Rule 100.

[11]   The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

of the complex strategy." The proposed changes to Rule 518(c)(1)(iii) and (c)(1)(iv) will make clear that existing complex priority provisions apply only to complex orders with conforming ratios.

The Exchange proposes to renumber current paragraph (c)(1)(v) to new paragraph (c)(1)(vi) and to adopt new paragraph (v) to provide that, "[a] complex order with a non-conforming ratio 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; (B) ahead of a Priority Customer Order at the MBBO on the Simple Order Book; or (C) at a price that is through the NBBO."[12] Therefore, a complex order with any ratio less than one-to-three or greater than three-to-one may be executed at a net price only if each leg of the complex order betters the corresponding bid (offer) of a Priority Customer Order(s) on the Simple Order Book, and is not at a price that is through the NBBO. These requirements are consistent with the rules of other option exchanges that process complex orders in the same ratios.[13]

In addition, icMBBO[14] protection will apply to both conforming and non-conforming strategies as executions of complex orders (with either conforming or non-conforming ratios) must comply with Exchange Rule 518(c)(2)(ii).[15] Accordingly, the Exchange proposes to amend

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

[13]   See Cboe Exchange Rule 5.33(f)(2)(A)(iv)(b), and BOX Options Rule 7240(b)(2)(iii).

[14]   The Implied Complex MIAX Best Bid or Offer ("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. See Exchange Rule 518(a)(11).

[15]   Exchange Rule 518(c)(2)(ii) provides that incoming complex orders and quotes will be executed by the System in accordance with the provisions set forth in Exchange Rule 518, and will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price.

Rule 518(c)(2)(ii) to provide additional detail related to pricing for conforming and non-conforming strategies. Specifically, the Exchange proposes to add a clarifying parenthetical statement to the first sentence to clearly differentiate the rules that apply to executions of complex orders with conforming ratios and complex orders with non-conforming rations when there is Priority Customer interest at the MBBO. Specifically, the proposed sentence will state, "Incoming complex orders and quotes will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price (complex orders with conforming ratios will be executed in accordance with Rule 518(c)(1)(iv) and complex orders with non-conforming ratios will be executed in accordance with Rule 518(c)(1)(v)." With this amendment the Exchange represents that the complex order priority rules will protect Priority Customer interest on the Simple Order Book.

The Exchange does not propose to extend the complex order priority afforded to complex orders with conforming ratios to those with non-conforming ratios. Execution of complex orders with conforming ratios will be unchanged under the Exchange's proposal and these orders will continue to 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.

The Exchange also proposes to amend the current definition of a complex order as described in Rule 518(a)(5) to include the terms conforming or non-conforming ratios as those terms are defined in the Rule.

The Exchange also proposes to amend Interpretations and Policies .12(d) of Exchange Rule 515A, MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism to adopt two new paragraphs which will describe new scenarios that arise as a result of the Exchange processing complex orders with non-conforming ratios, which will cause a cPRIME Auction to terminate prior to the end of the RFR period.

Currently Interpretations and Policies .12(d) of Exchange Rule 515A, provides that, a cPRIME Auction shall conclude at the sooner of (i)[16] through (vii) as listed in the Rule below with the cPRIME Agency Order executing pursuant to Rule 515A(2)(iii). The Exchange proposes to describe two new scenarios that will terminate a cPRIME Auction prior to the conclusion of the RFR period as subparagraphs (viii) and (ix), as described more fully below. Consequently, the Exchange proposes to amend the first sentence of Interpretations and Policies .12(d) of Exchange Rule 515A to account for the addition of these scenarios. As proposed, the new sentence would provide that, "[a] cPRIME Auction shall conclude at the sooner of (i) through (ix) below with the cPRIME Agency Order executing pursuant to Rule 515A(2)(iii) below:"

The Exchange proposes to adopt paragraph (viii) to Interpretations and Policies .12(d) of Rule 515A to provide that, "a Priority Customer Order, eligible to rest on the Simple Order Book, is received on either side of the market as the cPRIME Agency Order with a non-conforming ratio, and causes any component of the cPRIME Agency Order to lock or cross a Priority Customer Order at (A) the best price opposite the cPRIME Agency Order; or (B) the initiating price." The Exchange also proposes to adopt paragraph (ix) to provide that, "the NBBO for a component of a cPRIME Agency Order with a non-conforming ratio updates to a

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[16]   The end of the RFR Period. <u>See</u> Interpretations and Policies .12(d)(i) of Exchange Rule 515A.

price that would cause any option component of the cPRIME Agency Order to be executed at a

price through the NBBO for that series."

These provisions ensure that a cPRIME Agency Order will always receive the best price

on the Exchange while simultaneously preserving the integrity of the simple market by

preventing a component of an order with a non-conforming ratio from trading ahead of Priority

Customer interest or trading through the NBBO.

Example 1

A Priority Customer Order in a component of the strategy, eligible to rest on the Simple Order
Book, is received on the same side of the market as the cPRIME Agency Order with a non-
conforming ratio, and causes a component of the cPRIME Agency Order to lock a Priority
Customer Order at the best price opposite the cPRIME Agency Order.

MIAX – LMM[17] Sep 50 Call 1.81-1.82 (10x10)

MIAX – LMM Sep 55 Call 1.29-1.30 (10x10)

MIAX – Priority Customer Sep 55 Call order to sell 10 at 1.30[18]

Strategy: Buy 1 Sep 50 Call, Sell 1 Sep 55 Call

The icMBBO[19] is 0.51 debit bid and 0.53 credit offer

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[17]   The term "Lead Market Maker" means a Member registered with the Exchange for the
         purpose of making markets in securities traded on the Exchange and that is vested with
         the rights and responsibilities specified in Chapter VI of these Rules with respect to Lead
         Market Makers. When a Lead Market Maker is appointed to act in the capacity of a
         Primary Lead Market Maker, the additional rights and responsibilities of a Primary Lead
         Market Maker specified in Chapter VI of these Rules will apply. See Exchange Rule 100.

[18]   A leg of a non-conforming strategy may not execute ahead of a Priority Customer Order
         at the MBBO on the Simple Order Book, therefore while there is a Priority Customer
         Order priced at 1.30 for the Sep 55 Call, the price used for this leg to establish the net
         price will be 1.29. See proposed Exchange Rule 518(c)(1)(v). (The Auction starts as the
         net price of 0.52 may still be achieved if the other leg in the strategy (Sep 50 Call) can be
         executed at 1.81.)

[19]   The Implied Complex MIAX Best Bid or Offer ("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. See Exchange Rule 518(a)(11).

The Exchange receives a cPRIME Order with a non-conforming ratio with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 0.52, (Buy Sep 50 Call at 1.82, Sell Sep 55 Call at 1.30) 500 times. (Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.)

Since the order price is at least $0.01 better than (inside) the icMBBO and the best net price of any order for the Strategy on the Strategy Book, a cPRIME Auction can begin.[20]

A Request for Responses ("RFR") is broadcast to all subscribers and the RFR period is started.

The following responses are received:

•   @ 70 milliseconds MM1 response, cAOC eQuote @ 0.52 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

•   @ 85 milliseconds a Priority Customer simple order bid to pay 1.81 for 10 Sep 50 Calls arrives

Since the pre-existing simple order to sell at 1.30 is Priority Customer, the tradable component prices of the cPRIME Order are 1.81 for the Sep 50 Call and 1.29 for the Sep 55 Call, for a net debit price of 0.52.

However, because the new order to buy at 1.81 is also Priority Customer and causes a tradable component of the cPRIME Agency Order (Sep 50 Call) to lock a Priority Customer Order at the best price opposite the cPRIME Agency Order, the cPRIME Auction will terminate.

The cPRIME Auction is concluded prior to the end of the Response Time Interval to prevent the cPRIME Agency Order from trading ahead of a Priority Customer in any component of the cPRIME Agency Order.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

•   The cPRIME Agency Order buys 400 from the Contra side @ 0.52

•   The cPRIME Agency Order buys 100 from MM1 @ 0.52

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[20]   The initiating price for a cPRIME Agency Order must be better than (inside) the icMBBO for the strategy and any other complex orders on the Strategy Book. The System will reject cPRIME Agency Orders submitted with an initiating price that is equal to or worse than (outside) the icMBBO or any other complex orders on the Strategy Book. See Interpretations and Policies .12(a)(i) of Exchange Rule 515A.

Example 2

A Priority Customer Order in a component of the strategy, eligible to rest on the Simple Order Book, is received on the opposite side of the market from the cPRIME Agency Order with a non-conforming ratio, and causes a component of the cPRIME Agency Order to lock a Priority Customer at the initiating price.

> MIAX – LMM Sep 50 Call 1.81-1.82 (10x10)

> MIAX – LMM Sep 55 Call 1.29-1.30 (10x10)

> MIAX – Priority Customer Sep 55 Call order to buy 10 at 1.29

> Strategy: Buy 1 Sep 50 Call, Sell 1 Sep 55 Call

The icMBBO is 0.51 debit bid and 0.53 credit offer

The Exchange receives a cPRIME Order with a non-conforming ratio with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 0.52, (Buy Sep 50 Call at 1.82, Sell Sep 55 Call at 1.30), 500 times. (Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.)

Since the order price is at least $0.01 better than (inside) the icMBBO and the best net price of any order for the Strategy on the Strategy Book, a cPRIME Auction can begin.

A Request for Responses ("RFR") is broadcast to all subscribers and the RFR period is started.

The following responses are received:

•   @ 70 milliseconds MM1 response, cAOC eQuote @ 0.52 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

•   @ 85 milliseconds a Priority Customer simple order offer to sell at 1.82 for 10 Sep 50 Calls arrives

Since the pre-existing simple order to buy Sep 55 Call at 1.29 is Priority Customer, the tradable component prices of the cPRIME Order are 1.82 for the Sep 50 Call and 1.30 for the Sep 55 Call, for a net debit price of 0.52.

However, because the new order to sell at 1.82 is also Priority Customer and causes a tradable component of the cPRIME Agency Order (Sep 50 Call) to lock a Priority Customer Order at the initiating price; the cPRIME Auction will terminate.

The cPRIME Auction is concluded prior to the end of the Response Time Interval to prevent the cPRIME Agency Order from trading ahead of a Priority Customer in any component of the cPRIME Agency Order.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

*   The cPRIME Agency Order buys 400 from the Contra side @ 0.52

*   The cPRIME Agency Order buys 100 from MM1 @ 0.52

Example 3

The NBBO for a component of a cPRIME Agency Order with a non-conforming ratio updates to a price that would cause a component to trade through the NBBO.

> MIAX – LMM Sep 50 Call 1.81-1.82 (10x10)
>
> MIAX – LMM Sep 55 Call 1.29-1.30 (10x10)
>
> MIAX – Priority Customer Sep 55 Call order to buy 10 at 1.29
>
> Strategy: Buy 1 Sep 50 Call, Sell 1 Sep 55 Call

The icMBBO is 0.51 debit bid and 0.53 credit offer

The Exchange receives a cPRIME Order with a non-conforming ratio with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 0.52, (Buy Sep 50 Call at 1.82, Sell Sep 55 Call at 1.30), 500 times. (Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.)

Since the order price is at least $0.01 better than (inside) the icMBBO and the best net price of any order for the Strategy on the Strategy Book, a cPRIME Auction can begin.

A Request for Responses ("RFR") is broadcast to all subscribers and the RFR period is started.

The following responses are received:

*   @ 70 milliseconds MM1 response, cAOC eQuote @ 0.52 credit sell of 100 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

The ABBO updates to 1.80-1.81 (10x10) for the Sep 50 Call

Since the pre-existing simple order to buy Sep 55 Call at 1.29 is Priority Customer, the tradable component prices of the cPRIME order are 1.82 for the Sep 50 Call and 1.30 for the Sep 55 Call, for a net debit price of 0.52.

However, because the ABBO update to sell Sep 50 Call at 1.81 is better than the local best offer (1.82), this causes the tradable price to be through the NBBO for that component and is no longer tradable.

The cPRIME Auction is concluded prior to the end of the Response Time Interval to prevent the non-conforming strategy trading through any component NBBO.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

- The cPRIME Agency Order buys 400 from the Contra side @ 0.52

- The cPRIME Agency Order buys 100 from MM1 @ 0.52

The Exchange also proposes to allow bids and offers on complex orders, quotes and RFR Responses for complex strategies having only option components and a non-conforming ratio to 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. The Exchange notes that electronic trading of complex orders with non-conforming ratios in one cent increments was recently established on another exchange.[21] Further, the Exchange notes that complex orders with conforming ratios are currently traded in one cent increments on the Exchange[22] and the proposed change will allow trading of complex orders in one cent increments for all complex orders on the Exchange.

The Exchange understands that there may be some concerns that if the ratios of complex orders, where each component leg is allowed to trade in one cent increments, are too greatly

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[21]   See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046) and Cboe Rule 5.4(b); see also BOX Options Rule 7240(b)(1).

[22]   See Exchange Rule 518(c)(1)(i).

expanded, market participants will, for example, enter complex orders with non-conforming ratios designed primarily to trade orders in a class in pennies that cannot otherwise execute as simple orders in that class in pennies. The Exchange believes it is highly unlikely that market participants will submit non-bona-fide trading strategies with larger ratios just to trade in penny increments. Adding a single leg to a larger order just to obtain penny pricing may further reduce execution opportunities for such an order because it may be less likely that sufficient contracts in the appropriate ratio would be available and because it is unlikely that other market participants would be willing to execute against an order that is not a bona-fide trading strategy. Further, the Exchange notes that all option series traded on the Exchange can currently trade in penny increments in the Exchange's Price Improvement Mechanism ("PRIME") regardless of the minimum increment otherwise applicable.[23] Lastly, the Exchange notes that pursuant to Exchange Rule 301, no Member shall engage in acts or practices inconsistent with just and equitable principles of trade, and entering orders for non-bona-fide trading strategies may constitute acts or practices inconsistent with just and equitable principles of trade.

Finally, the Exchange proposes to make non-substantive edits to Exchange Rule 515 and Rule 516, to update internal cross references to the location of certain definitions that have changed as a result of this proposal.

Implementation

The Exchange will announce the implementation of complex orders with non-conforming strategies by Regulatory Circular at least 48 hours prior to implementation of this functionality, as the Exchange believes that 48 hours of notice is adequate for Members.

      2.   Statutory Basis

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[23]   See Exchange Rule 515A(a)(2)(i)(F).

The Exchange believes that its proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act,[24] 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section (6)(b)(5)[25] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange currently only processes complex orders that fit within the proposed definition of a conforming ratio, that is complex orders with a ratio between the sizes of the option components 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.[26]

In particular, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and benefit investors, because it will allow market participants to execute complex strategies with option components only in ratios greater than three-to-one or less than one-to-three ("non-conforming ratios" as proposed herein). The proposed rule change will further remove impediments to and perfect the mechanism of a free and

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[24]   15 U.S.C. 78f(b).

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

[26]   See Exchange Rule 518(a)(5).

open market and a national market system, as other options exchanges permit the trading of complex orders with any ratio.[27]

The proposed change rule change will continue to protect Priority Customer Order interest on the Simple Order Book in the same manner as it does today, as all complex orders with a conforming ratio will continue to be executed on the Exchange without change. The proposed rule change has no impact on the priority of complex orders with a conforming ratio, as complex orders with a conforming ratio will continue to be required to improve the price of a leg of the complex order for which a Priority Customer Order is resting at the BBO in the Simple Order Book,[28] and thus will continue to protect Priority Customer Orders in the Simple Order Book. Additionally, the Exchange will not allow any component of a complex order with a non-conforming strategy to execute ahead of a Priority Customer resting at the BBO in the Simple Order Book.[29]

Additionally, the Exchange believes the proposed amendment to revise Exchange Rule 518(c)(2) to indicate icMBBO protection for complex orders with conforming ratios will require those orders to be executed in accordance with Rule 518(c)(1)(iv) and complex orders with non-conforming ratios to be executed in accordance with Rule 518(c)(1)(v) will clarify the operation of the icMBBO protection for complex orders with a conforming ratio and complex orders with a non-conforming ratio. This change benefits investors and the public as it clarifies that the complex order priority rules will continue to protect Priority Customer interest on the Simple Order Book.

The Exchange believes the proposed changes will increase opportunities for execution of complex orders and lead to tighter spreads on the Exchange, which will benefit all investors. The

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[27]   See Cboe Exchange Rules 1.1 (Complex Order) and 5.33; see also BOX Exchange Rule 7240(a)(10), (b)(1) and (b)(2)(iii).

[28]   See Exchange Rule 518(c)(3).

[29]   See proposed Rule 518(c)(1)(v).

Exchange also believes that the proposed rule change is designed to not permit unfair discrimination among market participants, as all market participants may trade complex orders, and the priority and eligibility requirements apply to complex orders of all market participants.

Additionally, the Exchange believes that including additional scenarios which will terminate a cPRIME Auction promotes just and equitable principles of trade and removes impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality. These provisions ensure that a cPRIME Agency Order will always receive the best price on the Exchange while simultaneously preserving the integrity of the simple market.

The Exchange believes that its proposal is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free an open market and a national market system, and, in general to protect investors and the public interest, by enhancing its System[30] and rules governing complex orders. The Exchange's proposal should provide market participants with trading opportunities more closely aligned with their investment or risk management strategies.

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 proposed rule change will impose any burden on intra-market competition as the Rules of the Exchange apply equally to all Members of the Exchange and all Members may submit complex orders. Therefore, any Member of the Exchange

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

may submit a complex order with a conforming or non-conforming ratio and the order will be handled in a uniform fashion by the System.

The Exchange does not believe that its 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, rather the Exchange believes that its proposal will promote inter-market competition. The Exchange notes that other options exchanges provide for the electronic trading of complex orders with only option components with ratios that are less than one-to-three and greater than three-to-one, and allow these orders to be priced and executed in one cent increments.[31] As such, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe the proposed amendment to clarify icMBBO protections imposes any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. Complex orders submitted by Members with conforming ratios will continue to be handled by the System without change. Complex orders submitted by Members with non-conforming ratios will be handled uniformly by the System as described in this proposal. The Exchange does not believe that this proposed change imposes any burden on inter-market competition as the icMBBO protection is designed to protect Priority Customer priority on the Exchange's Book and is not a change made for competitive reasons.

Additionally, the Exchange does not believe that its new proposed scenarios to terminate a cPRIME Auction imposes any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed changes are designed to add additional detail to the rules to further clarify the operation of Exchange functionality and to

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[31]   See Cboe Exchange Rule 5.4(b); see also BOX Exchange Rule 7240(b)(1).

minimize the potential for confusion. The Exchange does not believe that this proposed change imposes any burden on inter-market competition as this change is designed to protect Priority Customer priority on the Exchange's Book and is not a change made for competitive reasons.

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

Written comments were neither solicited nor received.

III.   <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

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[32] and Rule 19b-4(f)(6)[33] 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.   <u>Solicitation of Comments</u>

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[32]   15 U.S.C. 78s(b)(3)(A).

[33]   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.

Interested persons are invited to submit written data, views, and arguments concerning

the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

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

or

☐   Send an e-mail to rule-comments@sec.gov. Please include File Number SR-

MIAX-2023-01 on the subject line

Paper comments:

☐   Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities

and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MIAX-2023-01. 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-2023-01 and should be submitted

on or before [insert date 21 days from publication in the <u>Federal Register</u>]. For the Commission,

by the Division of Trading and Markets, pursuant to delegated authority.[34]

Vanessa Countryman
Secretary

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[34]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;
Deleted text is in [brackets]

MIAX Options Exchange Rules

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Rule 515. Execution of Orders and Quotes

(a) – (g)

(h) **Crossing Orders.**

    (1) – (2) No change.

    (3) **Complex Customer Cross ("cC2C") Orders**. cC2C Orders, as defined in Rule 518(b)(5), are automatically executed upon entry provided that the execution is at least $0.01 better than (inside) the icMBBO (as defined in Rule 518(a)([11]12)) price or the best net price of a complex order (as defined in Rule 518(a)(5)) on the Strategy Book (as defined in Rule 518(a)([17]18)), whichever is more aggressive. The System will reject a cC2C Order if, at the time of receipt of the cC2C 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]17).

        (A) - (D) No change.

    (4) **Complex Qualified Contingent Cross ("cQCC") Orders**. 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]18).

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Rule 515A. MIAX Price Improvement Mechanism ("PRIME") and PRIME Solicitation Mechanism

(a) – (b) No change.

Interpretations and Policies:

.01 - .11 No change.

.12 **PRIME for Complex Orders.** Unless otherwise provided in this Interpretations and Policies .12 or unless the context otherwise requires, the provisions of Rule 515A(a) above shall be applicable to the trading of complex orders (as defined in Rule 518) in the PRIME. The Exchange will determine, on a class-by-class basis, the option classes in which complex orders are available for trading in the PRIME on the Exchange, and will announce such classes to Members via Regulatory Circular.

(a) No change.

(b) The System will reject a cPRIME Agency Order if, at the time of receipt of the cPRIME Agency Order:

    (i) No change.

    (ii) any component of the strategy is subject to a SMAT Event as described in Rule 518(a)([16]18); or

    (iii) No change.

(c) No change.

(d) A cPRIME Auction shall conclude at the sooner of (i) through ([vii]ix) below with the cPRIME Agency Order executing pursuant to Rule 515A(2)(iii) below:

    (i) – (vi) No change.

    (vii) a simple order or quote in a component of the strategy, eligible to rest on the Simple Order Book, is received on the opposite side of the market from the cPRIME Agency Order and causes the icMBBO to lock or cross the initiating price[.];

    (viii) a Priority Customer Order, eligible to rest on the Simple Order Book, is received on either side of the market as the cPRIME Agency Order with a non-conforming ratio, and causes any component of the cPRIME Agency Order to lock or cross a Priority Customer Order at (A) the best price opposite the cPRIME Agency Order; or (B) the initiating price;

    (ix) the NBBO for a component of a cPRIME Agency Order with a non-conforming ratio updates to a price that would cause any option component of the cPRIME Agency Order to be executed at a price through the NBBO for that series.

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Rule 516. Order Types Defined

(a) – (l) No change.

Interpretations and Policies:

.01 No change.

.02 Complex order types are defined in Rule 518. Derived orders are defined in Rule 518(a)([9]10).

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Rule 518. Complex Orders

(a) **Definitions**.

(1) – (4) No change.

(5) **Complex Order**. A "complex order" is 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 conforming or non-conforming ratio as defined below[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 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, are eligible for processing.

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 this Rule. 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 ("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, are eligible for processing.

(6) – (7) No change.

(8) **Conforming Ratio**. A "conforming ratio" is where the ratio between the sizes of the components of a complex order comprised solely of options is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00).

(9[8]) **Displayed Complex MIAX Best Bid or Offer ("dcMBBO")**. 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.

(10[9]) **Derived Order**. A "derived order" is an Exchange-generated limit order on the Simple Order Book that represents either the bid or offer of one component of a complex order resting on the Strategy Book that is comprised of orders to buy or sell two option components where one component has a base ratio of "one" relative to the other component (1:1, 1:2, or 1:3). Derived orders will not be routed outside of the Exchange regardless of the price(s) disseminated by away markets. The Exchange will determine on a class-by-class basis to make available derived orders and communicate such determination to Members via a Regulatory Circular. Derived orders are firm orders (i.e., if executed, firm for the disseminated price and size) that are included in the MBBO (as defined in subparagraph (a)(13) below). Derived orders are subject to the managed interest process described in Rule 515(c)(1)(ii).

(i) - (v) No change.

(vi) A derived order is automatically removed from the Simple Order Book if:

(A) - (D) No change.

(E) any component of the complex order resting on the Strategy Book that is used to generate the derived order is subject to a Simple Market Auction or Timer ("SMAT") Event, as described in subparagraph (a)([16]18) below, a wide market condition (as described in Interpretations and Policies .05(a) of this Rule), or a halt.

If a derived order is removed from the Simple Order Book, the System will continually evaluate any remaining complex order(s) on the Strategy Book to determine whether a new derived order should be generated, as described in Rule 518(c)(5).

(vii) No change.

(11[10]) **Free Trading.** The term "free trading" means trading that occurs during a trading session other than: (i) at the opening or re-opening for trading following a halt, or (ii) during the Complex Auction Process (as described in paragraph (d) of this Rule).

(12[11]) **Implied Complex MIAX Best Bid or Offer ("icMBBO")**. 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.

(13[12]) **Market Maker Priority Interest for Complex**. Certain Market Maker complex Standard quotes and complex eQuotes (as defined in Interpretations and Policies .02 of this Rule) will qualify as "Market Maker Priority Interest for Complex" on the Strategy Book if the following criteria have been met. For purposes of this Rule, Market Maker Priority Interest for Complex is established at the beginning of a Complex Auction (as described in subparagraph (d) below), or at the time of execution in free trading. If complex Standard quoting is engaged for a complex strategy as set forth in Interpretations and Policies .02 of this Rule, a Market Maker complex Standard quote or a complex eQuote will qualify as Market Maker Priority Interest for Complex if the Market Maker has a complex Standard quote in the complex strategy that equals or improves the dcMBBO on the opposite side from the incoming complex order or quote at the time of evaluation (a "Complex priority quote").

(14[13]) **MBBO.** The term "MBBO" means the best bid or offer on the Simple Order Book (as defined below) on the Exchange.

(15[14]) **NBBO.** The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor ("SIP").

(16) **Non-Conforming Ratio.** A "non-conforming ratio" is where the ratio between the sizes of the components of a complex order comprised solely of options is greater than three-to-one (3.00) or less than one-to-three (.333).

(17[15]) **Simple Order Book**. The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes.

(18[16]) **Simple Market Auction or Timer ("SMAT") Event**. A SMAT Event is defined as any of the following:

(i) - (iv) No change.

Complex orders and quotes will be handled during a SMAT Event as described in Interpretations and Policies .05(e)(2) of this Rule.

(19[17]) **Strategy Book**. The "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes.

(b) No change.

(c) **Trading of Complex Orders and Quotes**. The Exchange will determine and communicate to Members via Regulatory Circular which complex order origin types (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the Strategy Book. Complex orders and quotes will be subject to all other Exchange Rules that pertain to orders and quotes generally, unless otherwise provided in this Rule 518. This Rule 518(c) governs trading of all complex order types set forth in Rule 518(b) above, unless otherwise specified in Rule 518(b).

(1) **Minimum Increments and Trade Prices**.

(i) – (ii) No change.

(iii) If any component of a complex strategy with a conforming ratio 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.

(iv) A complex order with a conforming ratio 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.

(v) A complex order with a non-conforming ratio 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; (B) ahead of a Priority Customer Order at the MBBO on the Simple Order Book; or (C) at a price that is through the NBBO.

(vi) A complex order or eQuote (as defined in Interpretations and Policies .02 of this Rule) will not be executed at a price that is outside of its MPC Price (as defined in Rule 532(b)(6)) or its limit price.

(2) Execution of Complex Orders and Quotes.

(i) No change.

(ii) **Prices for Complex Strategy Executions.** Incoming complex orders and quotes will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the icMBBO or at a price that is equal to the icMBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icMBBO price (complex orders with conforming ratios will be executed in accordance with Rule 518(c)(1)(iv) and complex orders with non-conforming ratios will be executed in accordance with Rule 518(c)(1)(v). Complex orders will never be executed at a price that is outside of the individual component prices

on the Simple Order Book, and the net price of a complex order executed against another complex order on the Strategy Book will never be inferior to the price that would be available if the complex order legged into the Simple Order Book. Incoming complex orders that could not be executed because the executions would be priced (A) outside of the icMBBO, or (B) equal to or through the icMBBO due to a Priority Customer Order at the best icMBBO price, will be cancelled if such complex orders are not eligible to be placed on the Strategy Book. Complex orders and quotes will be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same options contracts provided, however, that such complex order price may be subject to the Implied Exchange Away Best Bid or Offer ("ixABBO") Protection described in Rule 532(b)(7), and are subject to the MPC price protection feature described in Rule 532(b)(6).

(d) – (e) No change.

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