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

File No. * SR 2023 - * 20

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 * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)

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

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 *).

Amend Exchange Rule 518 to adopt provisions for processing stock-option orders with non-conforming ratios

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

Date 05/04/2023

(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: 2023.05.04 15:39:33 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-MIAX-2023-20 19b4 20230503.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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SR-MIAX-2023-20-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-2023-20 Exhibit 5_20230503.docx

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Miami International Securities Exchange, LLC (“MIAX” 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 February 2, 2023. 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.

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. Purpose

The Exchange proposes to amend Rule 518, Complex Orders, to: (i) amend the definition of a conforming ratio and a non-conforming ratio to include the conforming and non-conforming ratios for stock-option orders; (ii) amend the definition of a complex order to insert the clarifying phrase, “conforming or non-conforming ratio” for stock-option orders; and (iii) adopt new paragraph (2) to Interpretations and Policies .01(c) of Rule 518 to describe the handling of stock-option orders with non-conforming ratios. Additionally, the Exchange proposes to make a minor non-substantive edit to the first paragraph of Interpretations and Policies .01(c) of Rule 518 to renumber the paragraph as paragraph (1).

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” or “components” of the complex order), for the same account, in a conforming³ or non-conforming ratio⁴ 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 Members⁵ via Regulatory

³ 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). See Exchange Rule 518(a)(8).

⁴ 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). See Exchange Rule 518(a)(16).

⁵ 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.

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.

Additionally, 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 Rule 518. A stock-option order is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share (“ETF”)) or a security convertible into the underlying stock (“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

Proposal

The Exchange now proposes to accept stock-option orders with ratios greater than eight-to-one, or non-conforming ratios, as defined herein. To support its proposal, the Exchange proposes to amend the definition of a “conforming ratio” in Exchange Rule 518(a)(8) to include the current ratio for stock-option orders accepted by the Exchange, which is where one

⁶ See Exchange Rule 518(a)(5).

component of the complex order is the underlying security (stock or ETF), or security convertible into the underlying stock (“convertible security”) and the ratio between the option component(s) and the underlying security (stock or ETF), or convertible security is less than or equal to eight-to-one (8.00).

Specifically, as amended the proposed rule will provide that, 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); where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”) the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is less than or equal to eight-to-one (8.00).⁷ The Exchange also proposes to amend the definition of a non-conforming ratio in Exchange Rule 518(a)(16) to include stock-option orders, to state, where one component of the complex order is the underlying security (stock or ETF) or underlying security convertible into the underlying stock (“convertible security”), the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00). Specifically, as amended the proposed rule will provide that, 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); where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”), the ratio between the option

⁷ See proposed Exchange Rule 518(a)(8).

component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00).⁸

Additionally, the Exchange proposes to amend the second paragraph of Rule 518(a)(5) which discusses stock-option orders to include the terms conforming and non-conforming ratio and to remove the reference to the eight-to-one ratio as the conforming and non-conforming ratios for stock-option complex orders are being relocated under this proposal to Rule 518(a)(8) and (a)(16) respectively.

The Exchange also proposes to renumber the first paragraph of Interpretations and Policies .01(c) of Rule 518 as paragraph (1) and to insert the clarifying phrase, “with a conforming ratio,” to delineate stock-option order handling when there is a conforming ratio versus a non-conforming ratio.

Like stock-option orders with conforming ratios, stock-option orders with non-conforming ratios will also be required to create delta neutral positions⁹ and must also comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the Securities Exchange Act of 1934 in the same manner as stock-option orders with conforming ratios.¹⁰ Members submitting stock option orders in conforming or non-conforming ratios represent that such orders comply with the Qualified Contingent Trade Exemption.¹¹ The Exchange represents that it will have the necessary surveillance in place for stock-option orders with non-conforming ratios prior to implementing this functionality.

⁸ See proposed Exchange Rule 518(a)(16).

⁹ See Exchange Rule 518(a)(5).

¹⁰ See Interpretations and Policies .01(a) of Exchange Rule 518.

¹¹ See id.

The Exchange proposes to adopt new paragraph (2) to Interpretations and Policies .01(c) of Rule 518 to describe stock-option order processing on the Exchange for stock-option orders with non-conforming ratios. Proposed paragraph (2) will provide that, “the option leg(s) of a stock-option order with a non-conforming ratio shall not be executed (i) at a price that is inferior to the Exchange’s best bid (offer) in the option or (ii) at the Exchange’s best bid (offer) in that option if there are one or more Priority Customer Orders¹² resting on the Simple Order Book¹³ at the best bid (offer) price for any option leg of a stock-option order. Each component of a stock-option order with a non-conforming ratio must trade at a price better than any Priority Customer Order(s) resting on the Simple Order Book at the best bid (offer) price by at least \$0.01. The option leg(s) of a stock-option order may be executed in a \$0.01 increment, regardless of the minimum quoting increment applicable to that series.”¹⁴

Additionally, the Exchange’s proposal is consistent with the Exchange’s handling of complex orders with only options components with non-conforming ratios as Exchange Rule 518(c)(1)(v) provides 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 MBBO¹⁵ on the Simple Order Book;

¹² The term “Priority Customer Order” means an order for the account of a Priority Customer. See Exchange Rule 100.

¹³ The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 518(a)(17).

¹⁴ See proposed Interpretations and Policies .01(c) of Rule 518.

¹⁵ The term “MBBO” means the best bid of offer on the Exchange. See Exchange Rule 100. The Exchange notes that this requirement is similar to that of other options exchanges. See Cboe Exchange Rule 5.33(f)(2)(A)(iv)(b); and BOX Exchange Rule 7240(b)(2)(iii).

or (C) at a price that is through the NBBO.¹⁶ Like Exchange Rule 518(c)(1)(v) which requires each component of a complex order with a non-conforming ratio to trade at a price that is better than the MBBO if there is Priority Customer interest resting on the Simple Order Book at the MBBO, this proposal will protect Priority Customer interest by requiring that each leg of a stock-option order with a non-conforming ratio trade at a price that is \$0.01 better than any Priority Customer interest resting on the Simple Order Book at the best bid or offer.¹⁷ Thus the proposed rule continues to protect Priority Customer interest on the Exchange.

Implementation

The Exchange will announce the implementation of stock-option orders with non-conforming ratios 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,¹⁸ 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

¹⁶ The term “NBBO” means the national best bid of offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

¹⁷ See proposed Interpretations and Policies .01(c)(2) of Exchange Rule 518.

¹⁸ 15 U.S.C. 78f(b).

investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section (6)(b)(5)¹⁹ 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 stock-option orders that fit within the definition of a conforming ratio, that is where one component of the complex order is the underlying instrument and the ratio between the option component(s) and the underlying instrument must be less than or equal to eight-to-one (8.00). The Exchange has received significant demand from its Members to support stock-option orders in non-conforming ratios, and 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 stock-option orders where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”) and the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00).

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 at least two other options exchanges permit the trading of stock-option orders with non-conforming ratios. Specifically, Cboe and Cboe EDGX began supporting the electronic processing of stock-option orders in non-conforming ratios via Cboe’s Complex Order Auctions (“COA”);²⁰ Complex Order Book (“COB”);²¹ Automated

¹⁹ 15 U.S.C. 78(f)(b)(5).

²⁰ See Cboe Exchange Rule 5.33(d).

²¹ See Cboe Exchange Rule 5.33(a).

Improvement Mechanism (“AIM”);²² and as Qualified Contingent Cross Orders (“QCC”)²³ in August of 2022.²⁴ Additionally, the execution price for each option leg must improve the local BBO²⁵ by at least \$0.01 when there is a Priority Customer Order resting at the BBO on that leg,²⁶ which is the same requirement that applies on the Exchange to all complex orders with non-conforming ratios.²⁷

Further, the Exchange’s proposal promotes a free and open market and a national system and, in general, protects investors and the public interest by providing market participants an additional venue to route stock-option orders with non-conforming ratios to for execution. This provides investors an additional venue to choose from when making order-routing decisions.

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.²⁸ As discussed

²² See Cboe Exchange Rule 5.37.

²³ See “Qualified Contingent Cross or QCC” at Cboe Exchange Rule 5.6(c).

²⁴ See Cboe Exchange Alert, “Update – Cboe Options Introduces C-SAM Enhancement, New Net, Leg Price Increments, and Enhanced Handling for Complex Orders with Non-Conforming Ratios, Reference ID: C2022072700 available online at https://cdn.cboe.com/resources/release_notes/2022/Update-Cboe-Options-Introduces-C-SAM-Enhancement-New-Net-Leg-Price-Increments-and-Enhanced-Handling-for-Complex-Orders-with-Non-Conforming-Ratios.pdf..

²⁵ The term “BBO” means the best bid or offer disseminated on the Exchange. See Cboe Exchange Rule 1.1. The Exchange notes that at least one other options exchange offers stock-option orders with non-conforming ratios. See the definition of “Stock-Option Order” in Cboe Exchange Rule 1.1; and see also Cboe Exchange Rule 5.85(b)(3) which provides that, “stock-option orders . . . have priority over bids (offers) of in-crowd market participants but not over Priority Customer bids (offers) in the Book.”

²⁶ See *supra* note 24.

²⁷ See Exchange Rule 518(c)(1)(v).

²⁸ See Exchange Rule 518(c)(1)(iv).

above, the proposed Exchange rules provide that a stock-option order with a non-conforming ratio will not be executed (i) at a price that is inferior to the Exchange's best bid (offer) in the option or (ii) at the Exchange's best bid (offer) in that option if there are one or more Priority Customer Orders resting on the Simple Order Book at the best bid (offer) price for any option leg of a stock-option order. Each component of a stock-option order with a non-conforming ratio must trade at a price better than any Priority Customer Order(s) resting on the Simple Order Book at the best bid (offer) price by at least \$0.01.²⁹

The Exchange believes the proposed changes will increase opportunities for execution of stock-option orders with non-conforming ratios, 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 stock-option orders with non-conforming ratios, and the priority and eligibility requirements apply equally to the stock-option orders with non-conforming ratios of all market participants.

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 and open market and a national market system, and, in general to protect investors and the public interest, by enhancing its System³⁰ 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 and allow market participants to benefit from trading these orders electronically.

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

²⁹ See supra note 17.

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

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 stock-option orders with non-conforming ratios. Therefore, any Member of the Exchange may submit a stock-option order with a conforming or non-conforming ratio and the order will be handled in a uniform fashion by the System. Further, the Exchange's proposal protects investors as Priority Customer interest is protected and the Exchange's proposal prevents any option component of a stock-option order in a non-conforming ratio to be executed ahead of a Priority Customer Order.³¹

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. Currently, at least two other options exchanges process stock-option orders with ratios that are greater than eight-to-one.³² The Exchange's proposal will enhance inter-market competition by providing an additional venue where investors may electronically execute their stock-option orders with non-conforming ratios, giving investors greater flexibility and a choice of where to send their orders. 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.

³¹ See proposed Interpretations and Policies .01(c)(2) of Exchange Rule 518.

³² See supra note 24.

As such, the Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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 Act³³ and Rule 19b-4(f)(6)³⁴ thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange does not believe that its proposal to process stock-option orders with non-conforming ratios significantly affects the protection of investors or the public interest. The Exchange's proposal to process stock-option orders with non-conforming ratios is not new or unique functionality that is not available on other options exchanges.³⁵ Additionally, the Exchange's proposal protects investors by requiring each option leg of a stock-option order with

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 17 CFR 240.19b-4(f)(6).

³⁵ See supra note 24.

a non-conforming ratio to trade at a price that is better than Priority Customer interest resting on the Simple Order Book at the MBBO by at least \$0.01.³⁶

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 submit stock-option orders with non-conforming ratios to the Exchange. The Exchange does not believe that its proposal to process stock-option orders with non-conforming ratios imposes any burden on inter-market competition as other exchanges process stock-option orders in non-conforming ratios,³⁷ but rather improves competition by providing investors multiple venues to choose from when making decisions on where to route their stock-option orders with non-conforming ratios. 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. 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.

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 Act³⁸ and Rule 19b-4(f)(6) thereunder.³⁹ Accordingly, for the reasons stated above, the Exchange believes that the proposed rule change is non-controversial

³⁶ See supra note 31.

³⁷ See supra note 24.

³⁸ 15 U.S.C. 78s(b)(3)(A).

³⁹ 17 CFR 240.19b-4(f)(6).

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)⁴⁰ 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 stock-option orders with non-conforming ratios. Waiver of the operative delay will benefit investors by immediately making an additional venue available for trading stock-option orders in ratios other than 8:1.

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

Not applicable.

⁴⁰ 17 CFR 240.19b-4(f)(6).

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2023-20

May _____, 2023

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

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 May ____, 2023, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

The text of the proposed rule change is available on the Exchange’s website at

<http://www.miaxoptions.com/rule-filings>, at MIAX’s principal office, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified

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) amend the definition of a conforming ratio and a non-conforming ratio to include the conforming and non-conforming ratios for stock-option orders; (ii) amend the definition of a complex order to insert the clarifying phrase, “conforming or non-conforming ratio” for stock-option orders; and (iii) adopt new paragraph (2) to Interpretations and Policies .01(c) of Rule 518 to describe the handling of stock-option orders with non-conforming ratios. Additionally, the Exchange proposes to make a minor non-substantive edit to the first paragraph of Interpretations and Policies .01(c) of Rule 518 to renumber the paragraph as paragraph (1).

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” or “components” of the complex order), for the same account, in a conforming³ or non-conforming ratio⁴ 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

³ 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). See Exchange Rule 518(a)(8).

⁴ 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). See Exchange Rule 518(a)(16).

orders in the classes designated by the Exchange and communicated to Members⁵ 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.

Additionally, 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 Rule 518. A stock-option order is an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share (“ETF”)) or a security convertible into the underlying stock (“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

Proposal

The Exchange now proposes to accept stock-option orders with ratios greater than eight-to-one, or non-conforming ratios, as defined herein. To support its proposal, the Exchange

⁵ 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.

⁶ See Exchange Rule 518(a)(5).

proposes to amend the definition of a “conforming ratio” in Exchange Rule 518(a)(8) to include the current ratio for stock-option orders accepted by the Exchange, which is where one component of the complex order is the underlying security (stock or ETF), or security convertible into the underlying stock (“convertible security”) and the ratio between the option component(s) and the underlying security (stock or ETF), or convertible security is less than or equal to eight-to-one (8.00).

Specifically, as amended the proposed rule will provide that, 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); where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”) the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is less than or equal to eight-to-one (8.00).⁷ The Exchange also proposes to amend the definition of a non-conforming ratio in Exchange Rule 518(a)(16) to include stock-option orders, to state, where one component of the complex order is the underlying security (stock or ETF) or underlying security convertible into the underlying stock (“convertible security”), the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00). Specifically, as amended the proposed rule will provide that, 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); where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”), the ratio between the option

⁷ See proposed Exchange Rule 518(a)(8).

component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00).⁸

Additionally, the Exchange proposes to amend the second paragraph of Rule 518(a)(5) which discusses stock-option orders to include the terms conforming and non-conforming ratio and to remove the reference to the eight-to-one ratio as the conforming and non-conforming ratios for stock-option complex orders are being relocated under this proposal to Rule 518(a)(8) and (a)(16) respectively.

The Exchange also proposes to renumber the first paragraph of Interpretations and Policies .01(c) of Rule 518 as paragraph (1) and to insert the clarifying phrase, “with a conforming ratio,” to delineate stock-option order handling when there is a conforming ratio versus a non-conforming ratio.

Like stock-option orders with conforming ratios, stock-option orders with non-conforming ratios will also be required to create delta neutral positions⁹ and must also comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the Securities Exchange Act of 1934 in the same manner as stock-option orders with conforming ratios.¹⁰ Members submitting stock option orders in conforming or non-conforming ratios represent that such orders comply with the Qualified Contingent Trade Exemption.¹¹ The Exchange represents that it will have the necessary surveillance in place for stock-option orders with non-conforming ratios prior to implementing this functionality.

⁸ See proposed Exchange Rule 518(a)(16).

⁹ See Exchange Rule 518(a)(5).

¹⁰ See Interpretations and Policies .01(a) of Exchange Rule 518.

¹¹ See id.

The Exchange proposes to adopt new paragraph (2) to Interpretations and Policies .01(c) of Rule 518 to describe stock-option order processing on the Exchange for stock-option orders with non-conforming ratios. Proposed paragraph (2) will provide that, “the option leg(s) of a stock-option order with a non-conforming ratio shall not be executed (i) at a price that is inferior to the Exchange’s best bid (offer) in the option or (ii) at the Exchange’s best bid (offer) in that option if there are one or more Priority Customer Orders¹² resting on the Simple Order Book¹³ at the best bid (offer) price for any option leg of a stock-option order. Each component of a stock-option order with a non-conforming ratio must trade at a price better than any Priority Customer Order(s) resting on the Simple Order Book at the best bid (offer) price by at least \$0.01. The option leg(s) of a stock-option order may be executed in a \$0.01 increment, regardless of the minimum quoting increment applicable to that series.”¹⁴

Additionally, the Exchange’s proposal is consistent with the Exchange’s handling of complex orders with only options components with non-conforming ratios as Exchange Rule 518(c)(1)(v) provides 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 MBBO¹⁵ on the Simple Order Book;

¹² The term “Priority Customer Order” means an order for the account of a Priority Customer. See Exchange Rule 100.

¹³ The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 518(a)(17).

¹⁴ See proposed Interpretations and Policies .01(c) of Rule 518.

¹⁵ The term “MBBO” means the best bid of offer on the Exchange. See Exchange Rule 100. The Exchange notes that this requirement is similar to that of other options exchanges. See Cboe Exchange Rule 5.33(f)(2)(A)(iv)(b); and BOX Exchange Rule 7240(b)(2)(iii).

or (C) at a price that is through the NBBO.¹⁶ Like Exchange Rule 518(c)(1)(v) which requires each component of a complex order with a non-conforming ratio to trade at a price that is better than the MBBO if there is Priority Customer interest resting on the Simple Order Book at the MBBO, this proposal will protect Priority Customer interest by requiring that each leg of a stock-option order with a non-conforming ratio trade at a price that is \$0.01 better than any Priority Customer interest resting on the Simple Order Book at the best bid or offer.¹⁷ Thus the proposed rule continues to protect Priority Customer interest on the Exchange.

Implementation

The Exchange will announce the implementation of stock-option orders with non-conforming ratios 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

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,¹⁸ 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

¹⁶ The term “NBBO” means the national best bid of offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

¹⁷ See proposed Interpretations and Policies .01(c)(2) of Exchange Rule 518.

¹⁸ 15 U.S.C. 78f(b).

is consistent with the Section (6)(b)(5)¹⁹ 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 stock-option orders that fit within the definition of a conforming ratio, that is where one component of the complex order is the underlying instrument and the ratio between the option component(s) and the underlying instrument must be less than or equal to eight-to-one (8.00). The Exchange has received significant demand from its Members to support stock-option orders in non-conforming ratios, and 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 stock-option orders where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”) and the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00).

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 at least two other options exchanges permit the trading of stock-option orders with non-conforming ratios. Specifically, Cboe and Cboe EDGX began supporting the electronic processing of stock-option orders in non-conforming ratios via Cboe’s Complex Order Auctions (“COA”);²⁰ Complex Order Book (“COB”);²¹ Automated Improvement Mechanism (“AIM”);²² and as Qualified Contingent Cross Orders (“QCC”)²³ in

¹⁹ 15 U.S.C. 78(f)(b)(5).

²⁰ See Cboe Exchange Rule 5.33(d).

²¹ See Cboe Exchange Rule 5.33(a).

²² See Cboe Exchange Rule 5.37.

²³ See “Qualified Contingent Cross or QCC” at Cboe Exchange Rule 5.6(c).

August of 2022.²⁴ Additionally, the execution price for each option leg must improve the local BBO²⁵ by at least \$0.01 when there is a Priority Customer Order resting at the BBO on that leg,²⁶ which is the same requirement that applies on the Exchange to all complex orders with non-conforming ratios.²⁷

Further, the Exchange's proposal promotes a free and open market and a national system and, in general, protects investors and the public interest by providing market participants an additional venue to route stock-option orders with non-conforming ratios to for execution. This provides investors an additional venue to choose from when making order-routing decisions.

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.²⁸ As discussed above, the proposed Exchange rules provide that a stock-option order with a non-conforming ratio will not be executed (i) at a price that is inferior to the Exchange's best bid (offer) in the option or (ii) at the Exchange's best bid (offer) in that option if there are one or more Priority Customer

²⁴ See Cboe Exchange Alert, "Update – Cboe Options Introduces C-SAM Enhancement, New Net, Leg Price Increments, and Enhanced Handling for Complex Orders with Non-Conforming Ratios, Reference ID: C2022072700 available online at https://cdn.cboe.com/resources/release_notes/2022/Update-Cboe-Options-Introduces-C-SAM-Enhancement-New-Net-Leg-Price-Increments-and-Enhanced-Handling-for-Complex-Orders-with-Non-Conforming-Ratios.pdf..

²⁵ The term "BBO" means the best bid or offer disseminated on the Exchange. See Cboe Exchange Rule 1.1. The Exchange notes that at least one other options exchange offers stock-option orders with non-conforming ratios. See the definition of "Stock-Option Order" in Cboe Exchange Rule 1.1; and see also Cboe Exchange Rule 5.85(b)(3) which provides that, "stock-option orders . . . have priority over bids (offers) of in-crowd market participants but not over Priority Customer bids (offers) in the Book."

²⁶ See *supra* note 24.

²⁷ See Exchange Rule 518(c)(1)(v).

²⁸ See Exchange Rule 518(c)(1)(iv).

Orders resting on the Simple Order Book at the best bid (offer) price for any option leg of a stock-option order. Each component of a stock-option order with a non-conforming ratio must trade at a price better than any Priority Customer Order(s) resting on the Simple Order Book at the best bid (offer) price by at least \$0.01.²⁹

The Exchange believes the proposed changes will increase opportunities for execution of stock-option orders with non-conforming ratios, 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 stock-option orders with non-conforming ratios, and the priority and eligibility requirements apply equally to the stock-option orders with non-conforming ratios of all market participants.

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 and open market and a national market system, and, in general to protect investors and the public interest, by enhancing its System³⁰ 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 and allow market participants to benefit from trading these orders electronically.

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.

²⁹ See supra note 17.

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

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 stock-option orders with non-conforming ratios. Therefore, any Member of the Exchange may submit a stock-option order with a conforming or non-conforming ratio and the order will be handled in a uniform fashion by the System. Further, the Exchange's proposal protects investors as Priority Customer interest is protected and the Exchange's proposal prevents any option component of a stock-option order in a non-conforming ratio to be executed ahead of a Priority Customer Order.³¹

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. Currently, at least two other options exchanges process stock-option orders with ratios that are greater than eight-to-one.³² The Exchange's proposal will enhance inter-market competition by providing an additional venue where investors may electronically execute their stock-option orders with non-conforming ratios, giving investors greater flexibility and a choice of where to send their orders. 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.

As such, the Exchange does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

³¹ See proposed Interpretations and Policies .01(c)(2) of Exchange Rule 518.

³² See supra note 24.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act³³ and Rule 19b-4(f)(6)³⁴ thereunder.

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

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic comments:

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 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.

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail [to rule-comments@sec.gov](mailto:to-rule-comments@sec.gov). Please include File Number SR-MIAX-2023-20 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-2023-20. 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-2023-20 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Vanessa Countryman
Secretary

³⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

MIAX Options Exchange Rules

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 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” with a conforming or non-conforming ratio as described further as defined below, and subject to the limitations set forth, in Interpretation and Policy .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)[.]; where one component of the complex

order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”), the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is less than or equal to eight-to-one (8.00).

(9) – (15) No change.

(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)[.]; where one component of the complex order is the underlying security (stock or ETF) or security convertible into the underlying stock (“convertible security”), the ratio between the option component(s) and the underlying security (stock or ETF) or convertible security is greater than eight-to-one (8.00).

(17) – (19) No change.

(b) – (e) No change.

Interpretations and Policies:

.01 Special Provisions Applicable to Stock-Option Orders:

(a) – (b) No change.

(c) Option Component.

(1) The option leg(s) of a stock-option order with a conforming ratio shall not be executed (i) at a price that is inferior to the Exchange's best bid (offer) in the option or (ii) at the Exchange's best bid (offer) in that option if one or more Priority Customer Orders are resting at the best bid (offer) price on the Simple Order Book in each of the option components and the stock-option order could otherwise be executed in full (or in a permissible ratio). If one or more Priority Customer Orders are resting at the best bid (offer) price on the Simple Order Book, at least one option component must trade at a price that is better than the corresponding bid or offer in the marketplace by at least \$0.01. The option leg(s) of a stock-option order may be executed in a \$0.01 increment, regardless of the minimum quoting increment applicable to that series.

(2) The option leg(s) of a stock-option order with a non-conforming ratio shall not be executed (i) at a price that is inferior to the Exchange's best bid (offer) in the option or (ii) at the Exchange's best bid (offer) in that option if there are one or more Priority Customer Orders resting on the Simple Order Book at the best bid (offer) price for any option leg of a stock-option order. Each component of a stock-option order with a non-conforming ratio must trade at a price better than any Priority Customer Order(s) resting on the Simple Order Book at the best bid (offer) price by at least \$0.01. The option leg(s) of a stock-option order may be executed in a \$0.01 increment, regardless of the minimum quoting increment applicable to that series.
