

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 37

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

File No. \* SR 2024 - \* 19

Amendment No. (req. for Amendments \*)

Filing by MIAX Sapphire, 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 checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input 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 the Fee Schedule to Adopt Transaction Fees and Rebates

**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@miaxglobal.com

Telephone \* (609) 897-1483 Fax

**Signature**

Pursuant to the requirements of the Securities Exchange of 1934, MIAX Sapphire, LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 08/08/2024

(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: 2024.08.08 13:03:00 -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 EFFS website.

**Form 19b-4 Information \***

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SR-SAPPHIRE-2024-19 19b4 202408

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-SAPPHIRE-2024-19 Exhibit 1.doc

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-SAPPHIRE-2024-19 Exhibit 5.doc

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) MIAX Sapphire, LLC (“MIAX Sapphire” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend the MIAX Sapphire Fee Schedule (the “Fee Schedule”) to adopt transaction fees and rebates.

While changes to the Fee Schedule pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on August 12, 2024.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and a copy of the applicable section of the Fee Schedule is attached hereto as Exhibit 5.

(b) Inapplicable.

(c) Inapplicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Sapphire Board of Directors on July 23, 2024. 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.

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

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

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

a. Purpose

The Exchange proposes to amend Section 1) of the Fee Schedule to adopt Section 1) a) as “Electronic Transactions,” and Section 1) a) i) as “Transaction Rebates/Fees” to adopt certain fees and rebates applicable to transactions on the Exchange. The Exchange also proposes to adopt Section 1) a) iv) of the Fee Schedule as “C2C and cC2C Fees” to adopt certain fees and rebates applicable to C2C<sup>3</sup> and cC2C Orders.<sup>4</sup> The Exchange also proposes to adopt Section 1) a) v) of the Fee Schedule as “Complex Stock-Option Order Fees” to adopt certain fees for stock-option orders.

Proposal to Adopt Transaction Fees and Rebates

The Exchange proposes to adopt Section 1) a) i) of the Fee Schedule as “Transaction Rebates/Fees” to adopt certain fees and rebates applicable to transactions on the Exchange. The Exchange proposes to adopt one table entitled “Simple” for transaction rebates and fees for transactions that occur in the Exchange’s Simple Order Book;<sup>5</sup> and to adopt another table entitled “Complex” for transactions that occur in the Exchange’s Strategy Book.<sup>6</sup>

Under the Exchange’s proposal transactions will be assessed a per contract fee (or provided a credit) dependent upon the origin of the initiating party, the origin of the contra party, and whether the transaction provides liquidity (“Maker”) or removes liquidity (“Taker”).

Additionally, the Exchange proposes to segregate rebates and fees by class (Penny or Non-

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<sup>3</sup> A Customer Cross Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity. See Exchange Rule 516(i).

<sup>4</sup> A Complex Customer Cross or “cC2C” Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity. Trading of cC2C Orders is governed by Rule 515(g)(3). See Exchange Rule 518(b)(4).

<sup>5</sup> The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 100.

<sup>6</sup> The “Strategy Book” is the Exchange’s electronic book of complex orders. See Exchange Rule 100.

Penny) and to also separately account for transactions in SPDR S&P 500 ETF (“SPY”), Invesco QQQ Trust (“QQQ”), and iShares Russell 2000 Index Fund (“IWM”) as these are highly liquid symbols and are commonly treated separately by options exchanges.<sup>7</sup>

#### Simple Market Fees and Rebates

Specifically, for Priority Customer<sup>8</sup> transactions in the Simple Order Book the Exchange proposes to provide a Maker Rebate of (\$0.30) and a Taker Rebate of (\$0.19) for transactions in SPY, QQQ, or IWM; a Maker Rebate of (\$0.28) and a Taker Rebate of (\$0.48) for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Rebate of (\$0.65) and a Taker Rebate of (\$0.92) for transactions in Non-Penny Classes.

For Market Maker<sup>9</sup> and Non Priority Customer / Non Market Maker<sup>10</sup> transactions in the Simple Order Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

For Non Priority Customer / Non Market Maker transactions in the Simple Order Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny

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<sup>7</sup> See BOX Options Exchange Fee Schedule, Section IV, A, available online at <https://boxoptions.com/resources/fee-schedule/>. See also Nasdaq BX, Options 7, Pricing Schedule, Section 2, BX Options Market-Fees Rebates (1), footnote 1 and 4.

<sup>8</sup> The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

<sup>9</sup> The term “Market Makers” means a Member registered with the Exchange for the purposes of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of MIAX Sapphire Rules. See Exchange Rule 100.

<sup>10</sup> For the purposes of this filing, the origins comprising Non Priority Customer and Non Market Maker are all origins other than Priority Customer and Market Maker.

Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

Additionally, the Exchange proposes to add a note to the table that states, “Priority Customer simple orders contra to Priority Customer simple orders are neither charged nor rebated.”

#### Complex Market Fees and Rebates

For Priority Customer transactions that occur in the Strategy Book the Exchange proposes to provide a Maker Rebate of (\$0.36) and a Taker Rebate of (\$0.25) for transactions in SPY, QQQ, or IWM; a Maker Rebate of (\$0.34) and a Taker Rebate of (\$0.54) for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Rebate of (\$0.71) and a Taker Rebate of (\$0.98) for transactions in Non-Penny Classes.

For Market Maker transactions in the Strategy Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

For Non Priority Customer / Non Market Maker transactions in the Strategy Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

The Exchange proposes to adopt the following notes to the Complex table. Note (1) to the Complex table that will provide, “Priority Customer complex orders contra to Priority

Customer complex orders are neither charged nor rebated.” Note (2) to the Complex table will provide that, “Fees and Rebates are per contract leg.” Finally, note (3) to the Complex table will provide, “a per contract surcharge of \$0.12 will be assessed for trading against a Priority Customer complex order in all classes and will apply to all origins except Priority Customer when trading against a Priority Customer on the Strategy Book.”

Proposal to Adopt C2C and cC2C Order Fees and Rebates

The Exchange proposes to adopt Section 1) a) iv) to the Fee Schedule as “C2C and cC2C Fees” to establish fees and rebates applicable to C2C and cC2C Orders.

<u>Types of Market Participants</u>	<u>C2C and cC2C Order Per Contract Fee/Rebate</u>
<u>Priority Customer</u>	<u>\$0.00</u>

Customer to Customer Cross Orders are comprised entirely of Priority Customer orders, therefore the Exchange assesses a \$0.00 per contract transaction fee and provides a \$0.00 rebate to such orders, pursuant to Section 1) a) i) of the Fee Schedule. However, the Exchange desires to clarify and make explicit that C2C Orders are assessed a \$0.00 per contract transaction fee and are paid a \$0.00 per contract rebate. The Exchange is also proposing to assess cC2C Orders a \$0.00 per contract transaction fee and to pay a \$0.00 per contract rebate. The Exchange also proposes to adopt certain explanatory text relating to the C2C and cC2C Fees table. The text provides that all fees and rebates are per contract per leg. Also, a C2C Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity. A cC2C Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity.

Proposal to Adopt Complex Stock-Option Order Fees

The Exchange proposes to adopt Section 1) a) v) of the Fee Schedule as “Complex Stock-Option Order Fees” to adopt certain fees for stock-option orders.

The Exchange proposes to adopt a stock handling fee applicable to stock-option orders executed against other stock-option orders in the complex order book, which the Exchange must route to an outside venue. Specifically, the Exchange proposes to adopt a stock handling fee of \$0.0010 per share for the stock leg of stock-option orders executed against other stock-option orders in the complex order book, which are routed to an outside venue. This stock handling fee to be assessed by the Exchange will cover all fees charged by the outside venue that prints the trade, and it is also intended to compensate the Exchange for matching these stock-option orders against other stock-option orders on the complex order book. A maximum of \$50 per order, per day, will be assessed under this fee. The cap is intended to give market participants assurance that they will not pay more than the capped amount for the execution of the stock leg of their stock-option orders. The Exchange believes that by limiting this fee to a maximum of \$50 per order, per day, the Exchange addresses the possibility that a GTC order could be executed over multiple days. For example, if such an order was partially-executed on a Monday, and then the remainder was fully-executed on a Tuesday, the total maximum fee charged to the market participant would be \$100 (\$50 per day). In addition to the Exchange’s fee, the Exchange will also pass through to the Member any fees assessed by the routing broker-dealer utilized by the Exchange with respect to the execution of the stock leg of any such order (with such fees to be passed through at cost). For example, the Exchange anticipates that the routing broker-dealer will bill the Exchange for Section 31 fees and FINRA Trading Activity Fees with respect to the execution of the stock leg of any such order. The Exchange will pass such fees through to the Member, at cost (that is, without any additional mark-up).



b. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>12</sup> in particular, in that it is an equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. The Exchange also believes the proposal furthers the objectives of Section 6(b)(5) of the Act<sup>13</sup> in that it 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 and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

The proposed changes are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated as follows” “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, [i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”<sup>14</sup>

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> *NetCoalition v. SEC*, 615F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>15</sup>

The Exchange is a new entrant to the market and will be one of eighteen options exchanges to which market participants may direct their order flow. Within this environment, market participants can freely shift their order flow among exchanges in response to changes in their respective pricing schedules. As such, this proposal represents a reasonable attempt by the Exchange to attract liquidity.

#### Transaction Fees and Rebates (Simple Market)

The Exchange believes the proposed fee structure is equitable and not unfairly discriminatory because all similarly situated market participants are subject to the same fee and rebate structure for order transactions in the Simple Market. The Exchange’s proposal to offer Maker and Taker Rebates to Priority Customers is reasonable because the Exchange desires to attract Priority Customers to the Exchange. Priority Customers are being paid Maker Rebates and Taker Rebates in all classes, as compared to other origins which are not rebated at all, as Priority Customer activity enhances liquidity on the Exchange for the benefit of all market participants by providing more trading opportunities, which attracts market makers. An increase

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<sup>15</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005, 70 FR 37499 (June 29, 2005)) (“Regulation NMS Adopting Release”).

in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange believes its Maker Rebate of (\$0.30) in SPY, QQQ, and IWM; its Maker Rebate of (\$0.28) in Penny Classes (excluding SPY, QQQ, and IWM); and its Maker Rebate of (\$0.65) in Non-Penny classes is reasonable as it is in line with current rebates provided by at least one other competing options exchange.<sup>16</sup> Further, the Exchange believes its Taker Rebate of (\$0.19) in SPY, QQQ, and IWM; its Taker Rebate of (\$0.48) in Penny Classes (excluding SPY, QQQ, and IWM); and its Taker Rebate of (\$0.92) in Non-Penny classes is reasonable as it is designed to attract Priority Customer order flow to the Exchange for the aforementioned mentioned reasons. Additionally, other competing exchanges similarly provide Taker Rebates to Priority Customer Orders in Penny and Non-Penny Classes that exceed the Maker Rebate.<sup>17</sup>

The Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker/Taker Fees to be reasonable as the Exchange proposes to assess a \$0.20 Maker Fee and a \$0.50 Taker Fee for orders in SPY, QQQ, and IWM. The Exchange believes this fee structure will encourage Market Makers, Non Priority Customers, and Non Market Makers to submit orders in SPY, QQQ, and IWM. Additionally, the Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.50 and its Taker Fee of \$0.50 in Penny Classes (excluding SPY, QQQ, and IWM) is reasonable as at least one other competing options exchange assesses a similar fee for Market Maker and Non Priority Customer / Non

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<sup>16</sup> See Nasdaq BX Options 7, Section 2, BX Options Market-Fees and Rebates, which provides a (\$0.30) rebate to Customer orders in Penny Symbols and a (\$1.10) rebate to Customer orders in Non-Penny Symbols.

<sup>17</sup> See Nasdaq MRX Options 7, Section 3, Fees and Rebates for Regular Orders and all Crossing Orders, which provides for a \$0.00 Maker Fee/Rebate and a (\$0.44) Taker Rebate to Priority Customer orders in Penny Symbols; and provides for a \$0.00 Maker Fee/Rebate and a (\$1.10) Taker rebate for Priority Customer orders in Non-Penny Symbols.

Market Maker orders in Penny Symbols.<sup>18</sup> The Exchange believes that its Market Maker and Non Priority Customer / Non Market Maker Taker Fee of \$0.50 is reasonable as it is equal to its Maker Fee, which is a common pricing strategy used by at least one other options exchange.<sup>19</sup> Finally, the Exchange believes that its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.95 and its Taker Fee of \$0.94 is reasonable as it is competitively priced in regard to the Maker and Taker Fees of other options exchanges for transactions in Non-Penny Classes.<sup>20</sup>

Additionally, the Exchange believes its proposal regarding Maker/Taker Fees for the Simple Market is equitable and not unfairly discriminatory. The Exchange will uniformly apply the proposed fees and rebates to each origin in accordance to the Simple table.

#### Transaction Fees and Rebates (Complex Market)

The Exchange believes the proposed fee structure is equitable and not unfairly discriminatory because all similarly situated market participants are subject to the same fee and rebate structure for complex order transactions in the Complex Market. The Exchange's proposal to offer Maker and Taker Rebates to Priority Customers is reasonable because the Exchange desires to attract Priority Customers to the Exchange. Priority Customers are being paid Maker Rebates and Taker Rebates in all classes, as compared to other origins which are not rebated at all, as Priority Customer activity enhances liquidity on the Exchange for the benefit of all market participants by providing more trading opportunities, which attracts market makers.

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<sup>18</sup> See Nasdaq MRX Options 7, Section 3, Fees and Rebates for Regular Orders and all Crossing Orders, Table 1, Penny Symbols, which provides for a \$0.50 Maker Fee for Market Maker and Professional orders.

<sup>19</sup> See BOX Options Fee Schedule, Section A, which assesses a \$0.50 Maker Fee and a \$0.50 Taker Fee for Market Maker and Professional Customer or Broker Dealer orders that trade contra to a Public Customer.

<sup>20</sup> See Nasdaq MRX Options 7, Section 3, Fees and Rebates for Regular Orders and all Crossing Orders, Table 1, Non-Penny Symbols, which provides for a \$1.25 Maker Fee and a \$1.10 Taker Fee for Market Maker, Firm Proprietary/Broker Dealer, and Professional Customer orders.

Additionally, the Exchange believes that its Priority Customer Maker Rebate of (\$0.36) and Taker Rebate of (\$0.25) in SPY, QQQ, and IWM; its (\$0.34) Maker Rebate and (\$0.54) Taker Rebate in Penny Classes (excluding SPY, QQQ, and IWM); and its (\$0.71) Maker Rebate and (\$0.98) Taker Rebate in Non-Penny Classes is reasonable as it is designed to attract Priority Customer complex order flow to the Exchange.

The Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker/Taker Fees to be reasonable as the Exchange proposes to assess a \$0.20 Maker Fee and a \$0.50 Taker Fee for orders in SPY, QQQ, and IWM. The Exchange believes this fee structure will encourage Market Makers, Non Priority Customers, and Non Market Makers to submit orders in SPY, QQQ, and IWM. Additionally, the Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.50 and its Taker Fee of \$0.50 in Penny Classes (excluding SPY, QQQ, and IWM) is reasonable as it provides a standard fee for both Maker and Taker activity. Finally, the Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.95 and its Taker Fee of \$0.94 in Non-Penny Classes is reasonable as at least one other exchange charges a similar Maker Fee<sup>21</sup> and Taker Fee.<sup>22</sup>

#### Complex Market Per Contract Surcharge

The Exchange's proposal to establish and assess a surcharge of \$0.12 per contract for all origins (excluding Priority Customer) that add or remove liquidity in Penny Classes (including SPY, QQQ, and IWM) and non-Penny Classes when trading against a Priority Customer on the

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<sup>21</sup> See Nasdaq MRX, Options 7, Section 4, Complex Order Fees, which assesses an \$0.85 fee per contract in Non-Penny Symbols.

<sup>22</sup> See Nasdaq ISE, Options 7, Section 4, Complex Order Fees and Rebates, which assesses a \$1.15 Taker Fee for Market Makers and Firm Proprietary/Broker Dealer orders in Non-Penny Symbols.

Strategy Book. The Exchange believes this surcharge is consistent with Section 6(b)(4) of the Act<sup>23</sup> because it applies equally to all participants (with the exception of Priority Customers). This surcharge is similar in structure and amount to one applied on the NYSE American Options Exchange (“NYSE American”),<sup>24</sup> and identical to the surcharge assessed and applied on the Exchange’s affiliate exchanges, Miami International Securities, LLC (“MIAX Options”),<sup>25</sup> and MIAX Emerald, LLC (“MIAX Emerald”).<sup>26</sup> The Exchange believes that this surcharge is fair and equitable because it is in line with the amount of surcharges assessed on other options exchanges when trading against Priority Customer complex orders.<sup>27</sup>

#### C2C and cC2C Order Fees and Rebates

The Exchange believes that adding the C2C fee to the Fee Schedule is reasonable since it is clarifying the Exchange’s existing practice and by adding such C2C Order fee to the Fee Schedule the Exchange believes that it will make it more transparent as to how the Exchange assesses such fee and avoid any confusion as to how such fee is assessed for simple (C2C) and complex (cC2C) orders. The Exchange believes that the proposed transaction fee for cC2C Orders is reasonable because the proposed amount is identical to the fee assessed for C2C transactions, which is currently \$0.00. The proposed fees would be charged to all Priority Customers alike and the Exchange believes that assessing a \$0.00 fee to Priority Customers is

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<sup>23</sup> 15 U.S.C. 78f(b)(4).

<sup>24</sup> See NYSE American Options Exchange Fee Schedule, Section I. Options Transaction Fees and Credits, footnote 5, which similarly assesses a complex surcharge of \$0.12 for any Non-Customer Complex Order that executes against a Customer Complex Order.

<sup>25</sup> See MIAX Options Fee Schedule, Section 1) a) i), available online at <https://www.miaxglobal.com/markets/us-options/miax-options/fees>.

<sup>26</sup> See MIAX Emerald Options Fee Schedule, Section 1) a) i) available online at <https://www.miaxglobal.com/markets/us-options/emerald-options/fees>.

<sup>27</sup> See supra note 24, 25, and 26.

equitable and not unfairly discriminatory. By assessing a \$0.00 fee to Priority Customer orders, the C2C and cC2C transaction fees will not discourage the sending of Priority Customer orders.

#### Complex Stock-Option Order Fees

The Exchange believes that the proposed stock handling fee for stock-option orders is consistent with Section 6(b)(4) of the Act in that it is reasonable, equitable and not unfairly discriminatory. The Exchange believes the proposed stock handling fee for stock-option orders is reasonable and equitable as the proposed fee will cover the costs of developing and maintaining the systems that allow for the matching and processing of the stock legs of stock-option orders executed in the complex order book, as well as all fees charged by the outside venue that prints the trade. The Exchange also believes it is reasonable and equitable to pass through to the Member any fees assessed by the routing broker-dealer utilized by the Exchange with respect to the execution of the stock leg of any such order (with such fees to be passed through at cost). The Exchange notes that another exchange has a comparable fee for the handling of the stock leg of stock-option orders. Specifically, Nasdaq ISE (“ISE”) charges a stock handling fee of \$0.0010 per share which is capped at \$50 per order.<sup>28</sup> The Exchange also believes that its proposal is consistent with Section 6(b)(5) of the Act<sup>29</sup> because it will be uniformly applied to all Members that execute stock-option orders in the Strategy Book on the Exchange.

#### 4. Self-Regulatory Organization’s Statement on Burden on Competition

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<sup>28</sup> See Nasdaq ISE, Options 7, Pricing Schedule, Section 4, Complex Order Fees and Rebates, Note 12; see also Securities Exchange Act Release No. 74117 (January 22, 2015), 80 FR 4600 (January 28, 2015) (SR-ISE-2015-03).

<sup>29</sup> 15 U.S.C. 78f(b)(5).

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.

#### Intra-Market Competition

The proposal does not impose an undue burden on intra-market competition as its fees will be applied uniformly to each respective origin in accordance to either the Simple Market or Complex Market table. The Exchange believes its proposal will encourage Members<sup>30</sup> to submit Priority Customer Orders<sup>31</sup> to the Exchange which will increase liquidity and benefit all market participants by providing more trading opportunities and tighter spreads. Accordingly, the Exchange believes that the proposed changes will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will continue to encourage order flow, which provides greater volume and liquidity, benefiting all market participants by providing more trading opportunities and tighter spreads.

Additionally, the Exchange does not believe its Maker/Taker Fees for Market Makers and Non Priority Customers / Non Market Makers will impose a burden on competition as the fees will be applied in a uniform manner to similarly situated participants in accordance to either the Simple or Complex table.

#### Inter-Market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice on where to route their orders for execution. The

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<sup>30</sup> The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of MIAAX Sapphire Rules for purposes of trading on the Exchange as an “Electronic Exchange Member” or “Market Maker.” Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

<sup>31</sup> The term “Priority Customer Order” means an order for the account of a Priority Customer. See Exchange Rule 100.



Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive.

With the addition of MIAX Sapphire, there are currently 18 registered options exchanges competing for order flow. For the month of July 2024, based on publicly-available information, and excluding index-based options, no single exchange (MIAX Sapphire excluded) exceeded approximately 13-14% of the market share of executed volume of multiply-listed equity and exchange-traded fund (“ETF”) options.<sup>32</sup> Therefore, no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. In such an environment, the Exchange must propose transaction fees and rebates to be competitive with other exchanges and to attract order flow. The Exchange believes that the Exchange’s proposal reflects this competitive environment, to the extent this is achieved, all of the Exchange’s market participants should benefit from the quality of the Exchange’s market.

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)(ii) of the Act,<sup>33</sup> and Rule 19b-4(f)(2) thereunder<sup>34</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge

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<sup>32</sup> See the “Market Share” section of the Exchange’s website, available at <https://www.miaxglobal.com/>.

<sup>33</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>34</sup> 17 CFR 240.19b-4.

imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

Not applicable.

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. Completed notice of the proposed rule change for publication in the Federal Register.

5. Copy of the applicable section of the MIAX Sapphire Fee Schedule.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-SAPPHIRE-2024-19)

August \_\_, 2024

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX Sapphire LLC to Adopt Transaction Fees and Rebates

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 8, 2024, MIAX Sapphire, LLC (“MIAX Sapphire” 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 adopt transaction fees and rebates.

While changes to the Fee Schedule pursuant to this proposal are effective upon filing, the Exchange has designated these changes to be operative on August 12, 2024.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/miax-sapphire/rule-filings>, at the Exchange’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

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

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

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

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

1. Purpose

The Exchange proposes to amend Section 1) of the Fee Schedule to adopt Section 1) a) as “Electronic Transactions,” and Section 1) a) i) as “Transaction Rebates/Fees” to adopt certain fees and rebates applicable to transactions on the Exchange. The Exchange also proposes to adopt Section 1) a) iv) of the Fee Schedule as “C2C and cC2C Fees” to adopt certain fees and rebates applicable to C2C<sup>3</sup> and cC2C Orders.<sup>4</sup> The Exchange also proposes to adopt Section 1) a) v) of the Fee Schedule as “Complex Stock-Option Order Fees” to adopt certain fees for stock-option orders.

Proposal to Adopt Transaction Fees and Rebates

The Exchange proposes to adopt Section 1) a) i) of the Fee Schedule as “Transaction Rebates/Fees” to adopt certain fees and rebates applicable to transactions on the Exchange. The Exchange proposes to adopt one table entitled “Simple” for transaction rebates and fees for transactions that occur in the Exchange’s Simple Order Book;<sup>5</sup> and to adopt another table entitled “Complex” for transactions that occur in the Exchange’s Strategy Book.<sup>6</sup>

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<sup>3</sup> A Customer Cross Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity. See Exchange Rule 516(i).

<sup>4</sup> A Complex Customer Cross or “cC2C” Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity. Trading of cC2C Orders is governed by Rule 515(g)(3). See Exchange Rule 518(b)(4).

<sup>5</sup> The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 100.

<sup>6</sup> The “Strategy Book” is the Exchange’s electronic book of complex orders. See Exchange Rule 100.

Under the Exchange's proposal transactions will be assessed a per contract fee (or provided a credit) dependent upon the origin of the initiating party, the origin of the contra party, and whether the transaction provides liquidity ("Maker") or removes liquidity ("Taker"). Additionally, the Exchange proposes to segregate rebates and fees by class (Penny or Non-Penny) and to also separately account for transactions in SPDR S&P 500 ETF ("SPY"), Invesco QQQ Trust ("QQQ"), and iShares Russell 2000 Index Fund ("IWM") as these are highly liquid symbols and are commonly treated separately by options exchanges.<sup>7</sup>

#### Simple Market Fees and Rebates

Specifically, for Priority Customer<sup>8</sup> transactions in the Simple Order Book the Exchange proposes to provide a Maker Rebate of (\$0.30) and a Taker Rebate of (\$0.19) for transactions in SPY, QQQ, or IWM; a Maker Rebate of (\$0.28) and a Taker Rebate of (\$0.48) for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Rebate of (\$0.65) and a Taker Rebate of (\$0.92) for transactions in Non-Penny Classes.

For Market Maker<sup>9</sup> and Non Priority Customer / Non Market Maker<sup>10</sup> transactions in the Simple Order Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

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<sup>7</sup> See BOX Options Exchange Fee Schedule, Section IV, A, available online at <https://boxoptions.com/resources/fee-schedule/>. See also Nasdaq BX, Options 7, Pricing Schedule, Section 2, BX Options Market-Fees Rebates (1), footnote 1 and 4.

<sup>8</sup> The term "Priority Customer" means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

<sup>9</sup> The term "Market Makers" means a Member registered with the Exchange for the purposes of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of MIAX Sapphire Rules. See Exchange Rule 100.

<sup>10</sup> For the purposes of this filing, the origins comprising Non Priority Customer and Non Market Maker are all origins other than Priority Customer and Market Maker.

For Non Priority Customer / Non Market Maker transactions in the Simple Order Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

Additionally, the Exchange proposes to add a note to the table that states, “Priority Customer simple orders contra to Priority Customer simple orders are neither charged nor rebated.”

#### Complex Market Fees and Rebates

For Priority Customer transactions that occur in the Strategy Book the Exchange proposes to provide a Maker Rebate of (\$0.36) and a Taker Rebate of (\$0.25) for transactions in SPY, QQQ, or IWM; a Maker Rebate of (\$0.34) and a Taker Rebate of (\$0.54) for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Rebate of (\$0.71) and a Taker Rebate of (\$0.98) for transactions in Non-Penny Classes.

For Market Maker transactions in the Strategy Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

For Non Priority Customer / Non Market Maker transactions in the Strategy Book the Exchange proposes to assess a Maker Fee of \$0.20 and a Taker Fee of \$0.50 for transactions in SPY, QQQ, or IWM; a Maker Fee of \$0.50 and a Taker Fee of \$0.50 for transactions in Penny Classes (excluding SPY, QQQ, and IWM); and a Maker Fee of \$0.95 and a Taker Fee of \$0.94 for transactions in Non-Penny Classes.

The Exchange proposes to adopt the following notes to the Complex table. Note (1) to the Complex table that will provide, “Priority Customer complex orders contra to Priority Customer complex orders are neither charged nor rebated.” Note (2) to the Complex table will provide that, “Fees and Rebates are per contract leg.” Finally, note (3) to the Complex table will provide, “a per contract surcharge of \$0.12 will be assessed for trading against a Priority Customer complex order in all classes and will apply to all origins except Priority Customer when trading against a Priority Customer on the Strategy Book.”

Proposal to Adopt C2C and cC2C Order Fees and Rebates

The Exchange proposes to adopt Section 1) a) iv) to the Fee Schedule as “C2C and cC2C Fees” to establish fees and rebates applicable to C2C and cC2C Orders.

<u>Types of Market Participants</u>	<u>C2C and cC2C Order</u> <u>Per Contract Fee/Rebate</u>
<u>Priority Customer</u>	<u>\$0.00</u>

Customer to Customer Cross Orders are comprised entirely of Priority Customer orders, therefore the Exchange assesses a \$0.00 per contract transaction fee and provides a \$0.00 rebate to such orders, pursuant to Section 1) a) i) of the Fee Schedule. However, the Exchange desires to clarify and make explicit that C2C Orders are assessed a \$0.00 per contract transaction fee and are paid a \$0.00 per contract rebate. The Exchange is also proposing to assess cC2C Orders a \$0.00 per contract transaction fee and to pay a \$0.00 per contract rebate. The Exchange also proposes to adopt certain explanatory text relating to the C2C and cC2C Fees table. The text provides that all fees and rebates are per contract per leg. Also, a C2C Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for

the same quantity. A cC2C Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity.

#### Proposal to Adopt Complex Stock-Option Order Fees

The Exchange proposes to adopt Section 1) a) v) of the Fee Schedule as “Complex Stock-Option Order Fees” to adopt certain fees for stock-option orders.

The Exchange proposes to adopt a stock handling fee applicable to stock-option orders executed against other stock-option orders in the complex order book, which the Exchange must route to an outside venue. Specifically, the Exchange proposes to adopt a stock handling fee of \$0.0010 per share for the stock leg of stock-option orders executed against other stock-option orders in the complex order book, which are routed to an outside venue. This stock handling fee to be assessed by the Exchange will cover all fees charged by the outside venue that prints the trade, and it is also intended to compensate the Exchange for matching these stock-option orders against other stock-option orders on the complex order book. A maximum of \$50 per order, per day, will be assessed under this fee. The cap is intended to give market participants assurance that they will not pay more than the capped amount for the execution of the stock leg of their stock-option orders. The Exchange believes that by limiting this fee to a maximum of \$50 per order, per day, the Exchange addresses the possibility that a GTC order could be executed over multiple days. For example, if such an order was partially-executed on a Monday, and then the remainder was fully-executed on a Tuesday, the total maximum fee charged to the market participant would be \$100 (\$50 per day). In addition to the Exchange’s fee, the Exchange will also pass through to the Member any fees assessed by the routing broker-dealer utilized by the Exchange with respect to the execution of the stock leg of any such order (with such fees to be passed through at cost). For example, the Exchange anticipates that the routing broker-dealer will bill the Exchange for Section 31 fees and FINRA Trading Activity Fees with respect to the



execution of the stock leg of any such order. The Exchange will pass such fees through to the Member, at cost (that is, without any additional mark-up).

## 2. Statutory Basis

The Exchange believes that its proposal to amend its Fee Schedule is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>12</sup> in particular, in that it is an equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. The Exchange also believes the proposal furthers the objectives of Section 6(b)(5) of the Act<sup>13</sup> in that it 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 and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

The proposed changes are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated as follows” “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, [i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”<sup>14</sup>

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>15</sup>

The Exchange is a new entrant to the market and will be one of eighteen options exchanges to which market participants may direct their order flow. Within this environment, market participants can freely shift their order flow among exchanges in response to changes in their respective pricing schedules. As such, this proposal represents a reasonable attempt by the Exchange to attract liquidity.

#### Transaction Fees and Rebates (Simple Market)

The Exchange believes the proposed fee structure is equitable and not unfairly discriminatory because all similarly situated market participants are subject to the same fee and rebate structure for order transactions in the Simple Market. The Exchange’s proposal to offer Maker and Taker Rebates to Priority Customers is reasonable because the Exchange desires to attract Priority Customers to the Exchange. Priority Customers are being paid Maker Rebates and Taker Rebates in all classes, as compared to other origins which are not rebated at all, as

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<sup>14</sup> NetCoalition v. SEC, 615F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

<sup>15</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005, 70 FR 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

Priority Customer activity enhances liquidity on the Exchange for the benefit of all market participants by providing more trading opportunities, which attracts market makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange believes its Maker Rebate of (\$0.30) in SPY, QQQ, and IWM; its Maker Rebate of (\$0.28) in Penny Classes (excluding SPY, QQQ, and IWM); and its Maker Rebate of (\$0.65) in Non-Penny classes is reasonable as it is in line with current rebates provided by at least one other competing options exchange.<sup>16</sup> Further, the Exchange believes its Taker Rebate of (\$0.19) in SPY, QQQ, and IWM; its Taker Rebate of (\$0.48) in Penny Classes (excluding SPY, QQQ, and IWM); and its Taker Rebate of (\$0.92) in Non-Penny classes is reasonable as it is designed to attract Priority Customer order flow to the Exchange for the aforementioned mentioned reasons. Additionally, other competing exchanges similarly provide Taker Rebates to Priority Customer Orders in Penny and Non-Penny Classes that exceed the Maker Rebate.<sup>17</sup>

The Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker/Taker Fees to be reasonable as the Exchange proposes to assess a \$0.20 Maker Fee and a \$0.50 Taker Fee for orders in SPY, QQQ, and IWM. The Exchange believes this fee structure will encourage Market Makers, Non Priority Customers, and Non Market Makers to submit orders in SPY, QQQ, and IWM. Additionally, the Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.50 and its Taker Fee of \$0.50 in Penny Classes (excluding SPY, QQQ, and IWM) is reasonable as at least one other competing

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<sup>16</sup> See Nasdaq BX Options 7, Section 2, BX Options Market-Fees and Rebates, which provides a (\$0.30) rebate to Customer orders in Penny Symbols and a (\$1.10) rebate to Customer orders in Non-Penny Symbols.

<sup>17</sup> See Nasdaq MRX Options 7, Section 3, Fees and Rebates for Regular Orders and all Crossing Orders, which provides for a \$0.00 Maker Fee/Rebate and a (\$0.44) Taker Rebate to Priority Customer orders in Penny Symbols; and provides for a \$0.00 Maker Fee/Rebate and a (\$1.10) Taker rebate for Priority Customer orders in Non-Penny Symbols.

options exchange assesses a similar fee for Market Maker and Non Priority Customer / Non Market Maker orders in Penny Symbols.<sup>18</sup> The Exchange believes that its Market Maker and Non Priority Customer / Non Market Maker Taker Fee of \$0.50 is reasonable as it is equal to its Maker Fee, which is a common pricing strategy used by at least one other options exchange.<sup>19</sup> Finally, the Exchange believes that its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.95 and its Taker Fee of \$0.94 is reasonable as it is competitively priced in regard to the Maker and Taker Fees of other options exchanges for transactions in Non-Penny Classes.<sup>20</sup>

Additionally, the Exchange believes its proposal regarding Maker/Taker Fees for the Simple Market is equitable and not unfairly discriminatory. The Exchange will uniformly apply the proposed fees and rebates to each origin in accordance to the Simple table.

#### Transaction Fees and Rebates (Complex Market)

The Exchange believes the proposed fee structure is equitable and not unfairly discriminatory because all similarly situated market participants are subject to the same fee and rebate structure for complex order transactions in the Complex Market. The Exchange's proposal to offer Maker and Taker Rebates to Priority Customers is reasonable because the Exchange desires to attract Priority Customers to the Exchange. Priority Customers are being paid Maker Rebates and Taker Rebates in all classes, as compared to other origins which are not rebated at all, as Priority Customer activity enhances liquidity on the Exchange for the benefit of

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<sup>18</sup> See Nasdaq MRX Options 7, Section 3, Fees and Rebates for Regular Orders and all Crossing Orders, Table 1, Penny Symbols, which provides for a \$0.50 Maker Fee for Market Maker and Professional orders.

<sup>19</sup> See BOX Options Fee Schedule, Section A, which assesses a \$0.50 Maker Fee and a \$0.50 Taker Fee for Market Maker and Professional Customer or Broker Dealer orders that trade contra to a Public Customer.

<sup>20</sup> See Nasdaq MRX Options 7, Section 3, Fees and Rebates for Regular Orders and all Crossing Orders, Table 1, Non-Penny Symbols, which provides for a \$1.25 Maker Fee and a \$1.10 Taker Fee for Market Maker, Firm Proprietary/Broker Dealer, and Professional Customer orders.

all market participants by providing more trading opportunities, which attracts market makers. Additionally, the Exchange believes that its Priority Customer Maker Rebate of (\$0.36) and Taker Rebate of (\$0.25) in SPY, QQQ, and IWM; its (\$0.34) Maker Rebate and (\$0.54) Taker Rebate in Penny Classes (excluding SPY, QQQ, and IWM); and its (\$0.71) Maker Rebate and (\$0.98) Taker Rebate in Non-Penny Classes is reasonable as it is designed to attract Priority Customer complex order flow to the Exchange.

The Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker/Taker Fees to be reasonable as the Exchange proposes to assess a \$0.20 Maker Fee and a \$0.50 Taker Fee for orders in SPY, QQQ, and IWM. The Exchange believes this fee structure will encourage Market Makers, Non Priority Customers, and Non Market Makers to submit orders in SPY, QQQ, and IWM. Additionally, the Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.50 and its Taker Fee of \$0.50 in Penny Classes (excluding SPY, QQQ, and IWM) is reasonable as it provides a standard fee for both Maker and Taker activity. Finally, the Exchange believes its Market Maker and Non Priority Customer / Non Market Maker Maker Fee of \$0.95 and its Taker Fee of \$0.94 in Non-Penny Classes is reasonable as at least one other exchange charges a similar Maker Fee<sup>21</sup> and Taker Fee.<sup>22</sup>

#### Complex Market Per Contract Surcharge

The Exchange's proposal to establish and assess a surcharge of \$0.12 per contract for all origins (excluding Priority Customer) that add or remove liquidity in Penny Classes (including SPY, QQQ, and IWM) and non-Penny Classes when trading against a Priority Customer on the

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<sup>21</sup> See Nasdaq MRX, Options 7, Section 4, Complex Order Fees, which assesses an \$0.85 fee per contract in Non-Penny Symbols.

<sup>22</sup> See Nasdaq ISE, Options 7, Section 4, Complex Order Fees and Rebates, which assesses a \$1.15 Taker Fee for Market Makers and Firm Proprietary/Broker Dealer orders in Non-Penny Symbols.

Strategy Book. The Exchange believes this surcharge is consistent with Section 6(b)(4) of the Act<sup>23</sup> because it applies equally to all participants (with the exception of Priority Customers). This surcharge is similar in structure and amount to one applied on the NYSE American Options Exchange (“NYSE American”),<sup>24</sup> and identical to the surcharge assessed and applied on the Exchange’s affiliate exchanges, Miami International Securities, LLC (“MIAX Options”),<sup>25</sup> and MIAX Emerald, LLC (“MIAX Emerald”).<sup>26</sup> The Exchange believes that this surcharge is fair and equitable because it is in line with the amount of surcharges assessed on other options exchanges when trading against Priority Customer complex orders.<sup>27</sup>

#### C2C and cC2C Order Fees and Rebates

The Exchange believes that adding the C2C fee to the Fee Schedule is reasonable since it is clarifying the Exchange’s existing practice and by adding such C2C Order fee to the Fee Schedule the Exchange believes that it will make it more transparent as to how the Exchange assesses such fee and avoid any confusion as to how such fee is assessed for simple (C2C) and complex (cC2C) orders. The Exchange believes that the proposed transaction fee for cC2C Orders is reasonable because the proposed amount is identical to the fee assessed for C2C transactions, which is currently \$0.00. The proposed fees would be charged to all Priority Customers alike and the Exchange believes that assessing a \$0.00 fee to Priority Customers is

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<sup>23</sup> 15 U.S.C. 78f(b)(4).

<sup>24</sup> See NYSE American Options Exchange Fee Schedule, Section I. Options Transaction Fees and Credits, footnote 5, which similarly assesses a complex surcharge of \$0.12 for any Non-Customer Complex Order that executes against a Customer Complex Order.

<sup>25</sup> See MIAX Options Fee Schedule, Section 1) a) i), available online at <https://www.miaxglobal.com/markets/us-options/miax-options/fees>.

<sup>26</sup> See MIAX Emerald Options Fee Schedule, Section 1) a) i) available online at <https://www.miaxglobal.com/markets/us-options/emerald-options/fees>.

<sup>27</sup> See supra note 24, 25, and 26.

equitable and not unfairly discriminatory. By assessing a \$0.00 fee to Priority Customer orders, the C2C and cC2C transaction fees will not discourage the sending of Priority Customer orders.

#### Complex Stock-Option Order Fees

The Exchange believes that the proposed stock handling fee for stock-option orders is consistent with Section 6(b)(4) of the Act in that it is reasonable, equitable and not unfairly discriminatory. The Exchange believes the proposed stock handling fee for stock-option orders is reasonable and equitable as the proposed fee will cover the costs of developing and maintaining the systems that allow for the matching and processing of the stock legs of stock-option orders executed in the complex order book, as well as all fees charged by the outside venue that prints the trade. The Exchange also believes it is reasonable and equitable to pass through to the Member any fees assessed by the routing broker-dealer utilized by the Exchange with respect to the execution of the stock leg of any such order (with such fees to be passed through at cost). The Exchange notes that another exchange has a comparable fee for the handling of the stock leg of stock-option orders. Specifically, Nasdaq ISE (“ISE”) charges a stock handling fee of \$0.0010 per share which is capped at \$50 per order.<sup>28</sup> The Exchange also believes that its proposal is consistent with Section 6(b)(5) of the Act<sup>29</sup> because it will be uniformly applied to all Members that execute stock-option orders in the Strategy Book on the Exchange.

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

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<sup>28</sup> See Nasdaq ISE, Options 7, Pricing Schedule, Section 4, Complex Order Fees and Rebates, Note 12; see also Securities Exchange Act Release No. 74117 (January 22, 2015), 80 FR 4600 (January 28, 2015) (SR-ISE-2015-03).

<sup>29</sup> 15 U.S.C. 78f(b)(5).

### Intra-Market Competition

The proposal does not impose an undue burden on intra-market competition as its fees will be applied uniformly to each respective origin in accordance to either the Simple Market or Complex Market table. The Exchange believes its proposal will encourage Members<sup>30</sup> to submit Priority Customer Orders<sup>31</sup> to the Exchange which will increase liquidity and benefit all market participants by providing more trading opportunities and tighter spreads. Accordingly, the Exchange believes that the proposed changes will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will continue to encourage order flow, which provides greater volume and liquidity, benefiting all market participants by providing more trading opportunities and tighter spreads.

Additionally, the Exchange does not believe its Maker/Taker Fees for Market Makers and Non Priority Customers / Non Market Makers will impose a burden on competition as the fees will be applied in a uniform manner to similarly situated participants in accordance to either the Simple or Complex table.

### Inter-Market Competition

The proposal does not impose an undue burden on inter-market competition. The Exchange believes its proposal remains competitive with other options markets and will offer market participants with another choice on where to route their orders for execution. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive.

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<sup>30</sup> The term “Member” means an individual or organization that is registered with the Exchange pursuant to Chapter II of MIAAX Sapphire Rules for purposes of trading on the Exchange as an “Electronic Exchange Member” or “Market Maker.” Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

<sup>31</sup> The term “Priority Customer Order” means an order for the account of a Priority Customer. See Exchange Rule 100.



With the addition of MIAX Sapphire, there are currently 18 registered options exchanges competing for order flow. For the month of July 2024, based on publicly-available information, and excluding index-based options, no single exchange (MIAX Sapphire excluded) exceeded approximately 13-14% of the market share of executed volume of multiply-listed equity and exchange-traded fund (“ETF”) options.<sup>32</sup> Therefore, no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. In such an environment, the Exchange must propose transaction fees and rebates to be competitive with other exchanges and to attract order flow. The Exchange believes that the Exchange’s proposal reflects this competitive environment, to the extent this is achieved, all of the Exchange’s market participants should benefit from the quality of the Exchange’s market.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>33</sup> and Rule 19b-4(f)(2)<sup>34</sup> 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

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<sup>32</sup> See the “Market Share” section of the Exchange’s website, available at <https://www.miaxglobal.com/>.

<sup>33</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>34</sup> 17 CFR 240.19b-4(f)(2).

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number

SR-SAPPHIRE-2024-19 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-SAPPHIRE-2024-19. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or

withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-SAPPHIRE-2024-19 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

Sherry R. Haywood  
Assistant Secretary

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<sup>35</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**MIAX Sapphire Options Exchange Fee Schedule**

\* \* \* \* \*

1) Transaction Rebates/Fees

a) Electronic Transactions

i) Transaction Rebates/Fees

<u>Simple</u>							
		<u>SPY/QQQ/IWM</u>		<u>Penny Classes (Excluding SPY/QQQ/IWM)</u>		<u>Non-Penny Classes</u>	
<u>Origin</u>	<u>Contra Origin</u>	<u>Maker</u>	<u>Taker</u>	<u>Maker</u>	<u>Taker</u>	<u>Maker</u>	<u>Taker</u>
<u>Priority Customer<sup>(1)</sup></u>	<u>All</u>	<u>\$(0.30)</u>	<u>\$(0.19)</u>	<u>\$(0.28)</u>	<u>\$(0.48)</u>	<u>\$(0.65)</u>	<u>\$(0.92)</u>
<u>Market Maker</u>	<u>All</u>	<u>\$0.20</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.95</u>	<u>\$0.94</u>
<u>Non Priority Customer/Non Market Maker</u>	<u>All</u>	<u>\$0.20</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.95</u>	<u>\$0.94</u>

(1) Priority Customer simple orders contra to Priority Customer simple orders are neither charged nor rebated.

<u>Complex<sup>(2)(3)</sup></u>							
		<u>SPY/QQQ/IWM</u>		<u>Penny Classes (Excluding SPY/QQQ/IWM)</u>		<u>Non-Penny Classes</u>	
<u>Origin</u>	<u>Contra Origin</u>	<u>Maker</u>	<u>Taker</u>	<u>Maker</u>	<u>Taker</u>	<u>Maker</u>	<u>Taker</u>
<u>Priority Customer<sup>(1)</sup></u>	<u>All</u>	<u>\$(0.36)</u>	<u>\$(0.25)</u>	<u>\$(0.34)</u>	<u>\$(0.54)</u>	<u>\$(0.71)</u>	<u>\$(0.98)</u>
<u>Market Maker</u>	<u>All</u>	<u>\$0.20</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.95</u>	<u>\$0.94</u>
<u>Non Priority Customer/Non Market Maker</u>	<u>All</u>	<u>\$0.20</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$0.95</u>	<u>\$0.94</u>

- (1) Priority Customer complex orders contra to Priority Customer complex orders are neither charged nor rebated.
- (2) Fees and Rebates are per contract per leg.
- (3) A per contract surcharge of \$0.12 will be assessed for trading against a Priority Customer complex order in all classes and will apply to all origins except Priority Customer when trading against a Priority Customer on the Strategy Book.

ii) - iii) No change.

iv) C2C and cC2C Fees

<u>Types of Market Participants</u>	<u>C2C and cC2C Order</u> <u>Per Contract Fee/Rebate</u>
<i>Priority Customer</i>	<u>\$0.00</u>

All fees and rebates are per contract per leg. A C2C Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity. A cC2C Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity.

v) Complex Stock-Option Order Fees

The Exchange will charge a stock handling fee of \$0.0010 per share (capped at \$50 per order, per day) for the stock leg of stock-option orders executed against other stock-option orders in the complex order book, which the Exchange must route to an outside venue. In addition, the Exchange will pass through to the Member any fees assessed by the routing broker-dealer utilized by the Exchange with respect to the execution of the stock leg of any such order (with such fees to be passed through at cost).

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