July 5, 2023

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE., Washington, DC 20549

Re: **File Number SR-MIAX-2023-19: Filing of Proposed Rule Change to Amend Exchange Rule 307, Position Limits under the Securities and Exchange Commission**

Dear Ms. Countryman:

SIFMA[1] appreciates commenting on the Miami International Securities Exchange LLC ("MIAX" or "Exchange") proposed rulemaking (the "Proposal")[2]. SIFMA recommends the Securities and Exchange Commission ("SEC") approve the Proposal, which would codify the process for adjusting position limits as a result of a stock split or reverse stock split in the underlying security.

As noted in the Proposal, the options exchanges have had rules limiting the aggregate number of options contracts that a member or customer may hold or exercise since the inception of standardized options trading. These position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate the underlying market so as to benefit the option position holder, or that might contribute to disruptions in the underlying market. Current Exchange Rule 307 provides for a review of the underlying security to determine what position limit level should apply. This review is conducted every six months and may result in the position limit level for the security being raised or lowered.

Currently, position limits are adjusted at the time of a stock split but revert to the original position limit when the last listed option at the time of the split expires, rendering the limit no longer meaningfully related to the current shares outstanding. This reversion of the position limit

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] See Release No. 34-97421 (May 2, 2023), 88 FR 29725 (May 8, 2023).

unnecessarily restricts trading by imposing a stricter position limit relative to the number of shares outstanding post-stock split than the existing pre-stock split limit.

The Proposal would eliminate this disparate treatment between the underlying stock split and the options position limit since both adjustments would be permanent. Investors would no longer be subject to the position limit reverting to the original, lower level after the last option expires. Under the Proposal, the position limit change that currently occurs when an underlying security undergoes a stock split would be permanent. For example, if an underlying security that has a position limit of 250,000 contracts undergoes a four-for-one stock split, the new position limit would remain at 1,000,000 contracts and no longer revert back to the original level after the final option listed at the time of the split expires.

The Proposal presents a logical approach to addressing stock splits in underlying securities as it maintains the integrity of the position limit to shares outstanding ratio, both pre- and post-split. This method provides a consistent and uniform approach for reevaluating position limits on underlying securities that were subject to a stock split. It also creates stability in the marketplace by preserving the expectations of market participants who are trading and hedging in the options contracts subject to the position limit changes.

While the Proposal details issues that the industry recently experienced with a stock split in Apple Inc. ("AAPL"), several other large companies based on market capitalization have undergone recent stock splits, including Tesla Inc. ("TSLA"), Alphabet Inc. ("GOOGL"), and Nvidia Corporation ("NVDA"). For example, on July 20, 2021, shares of NVDA underwent a four-for-one stock split, increasing the position limit from 250,000 contracts to 1,000,000 contracts (until the last contract expired on June 16, 2023). When the position limit reverted to its original size, similar to AAPL, the options positions now represent a smaller position of the shares outstanding than pre-split. Allowing the position limit to remain at 1,000,000 contracts would allow investors who are trading and hedging in the options contracts to manage their positions consistent with the new amount of shares outstanding.

The SEC has recognized that position limits serve as a regulatory tool designed to address potential manipulative schemes and adverse market impact through the use of listed options. The Proposal maintains the stated goals of position limits while removing impediments to and perfecting the mechanism of a free and open market and a national market system. The Proposal also is designed to prevent fraudulent or manipulative acts by maintaining the established position limit relative to shares outstanding pre- and post-split.

The Proposal will benefit both investors and the market by allowing for consistency in trading and investment strategies while safeguarding against manipulative schemes and adverse market impact. SIFMA therefore recommends that the SEC approve the Proposal in its current form.

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SIFMA greatly appreciates the SEC’s consideration of the points raised above and would be pleased to discuss these comments in greater detail. If you have any questions or need any additional information, please contact Ellen Greene (at [redacted] or [redacted]).

Sincerely,

Ellen Greene

Ellen Greene
Managing Director
Equities & Options Market Structure