

SECURITIES AND EXCHANGE COMMISSION
Release No. 34-70299; File No. SR-MIAX-2013-40

September 3, 2013

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange LLC to Amend MIAX Rule 1322, Options Communications

Pursuant to 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 August 19, 2013, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) a proposed rule change as described in Items I, and II below, which Items have been substantially prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to amend MIAX Rule 1322, Options Communications. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://www.miaxoptions.com/>.

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 1322, Options Communications, to conform the rule to changes recently made by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to its corresponding rule.³ The proposed changes are designed to alert Members to their requirements with respect to Options Communications while further regulating all communications for compliance with Exchange Rules and the Act. In addition, the Exchange believes that the proposed rule change will help ensure that investors are protected from potentially false or misleading communications with the public distributed by Exchange Members.

First, the Exchange proposes to amend Exchange Rule 1322(a) by reducing the number of defined categories of communication in current Rule 1322(a) from six to three. The proposed three categories of communications are: retail communications, correspondence, and institutional communications. The current definitions of “sales literature,” “advertisement,” and “independently prepared reprint” would be combined into a single category of “retail communications.” The Exchange proposes to define “retail communication” as any written

³ See Securities Exchange Act Release No. 68650 (January 14, 2013), 78 FR 4182 (January 18, 2013) (SR-FINRA-2013-001) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Update Cross-References and Make Other Non-Substantive Changes Within FINRA Rules and By-Laws). See also Securities Exchange Act Release 69807 (June 20, 2013), 78 FR 38423 (June 26, 2013) (SR-CBOE-2013-043) (Order Approving a Proposed Rule Change Relating to Exchange Rule 9.21) and Securities Exchange Act Release No. 70070 (July 30, 2013), 78 FR 47476 (August 5, 2013) (SR-BOX-2013-037) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend BOX Rule 4170 (Options Communications)).

(including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period. The Exchange also proposes to amend the current definition of “correspondence” to mean any written (including electronic) communication distributed or made available by a Member to 25 or fewer retail customers within any 30 calendar-day period. Additionally, the Exchange proposes to delete the current term, “institutional sales material” and replace that definition with the term “institutional communication,” which would include written (including electronic) communications that are distributed or made available only to institutional investors.

Second, the Exchange proposes to amend Rule 1322(b), Approval by Registered Options Principal, by replacing the phrase “advertisements, sales literature, and independently prepared reprints” in Rule 1322(b)(1) with the new proposed term, “retail communications.”

Under proposed Rule 1322(b)(2), correspondence would need not need to be approved by a Registered Options Principal prior to use but would be subject to the supervision and review requirements of Rule 1308. The Exchange proposes to delete the provision requiring principal approval of correspondence that is distributed to 25 or more existing retail customers within a 30 calendar-day period that makes any financial or investment recommendation or otherwise promotes the product or service of a Member. Under proposed Rule 1322(b), such communications would be considered “retail communications” and therefore remain subject to the principal approval requirement under the proposed new definition. As such, the proposed rule change would not substantively change the scope of options communications that would require principal approval.

Third, the Exchange proposes to establish the required approvals of institutional communications, currently known as institutional sales material. Specifically, the Exchange proposes to delete the current requirements for institutional sales material and add that Members

shall establish written procedures that are appropriate to its business, size, structure, and customers for review by a Registered Options Principal of institutional communications used by the Member.

Fourth, the Exchange proposes to amend Rule 1322(c) by replacing the phrase “advertisements, sales literature, and independently prepared reprints” with the new proposed term, “retail communications.” The Exchange also proposes to further exempt the options disclosure document (“ODD”) and prospectuses from Exchange review as other requirements apply to these documents under the Securities Act of 1933.

Fifth, the Exchange proposes to specify in Rule 1322(d) that no Member or associated person may use any options communications that “constitute a prospectus” unless the communications meet the requirements of the Securities Act, and further specifying that any statement in any options communications referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided. This language is identical to language contained in current Rule 1322(d)(5), which is proposed to be deleted.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁵ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

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.

In particular, the Exchange believes the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules. In addition, the Exchange believes that the proposed rule change will help ensure that investors are protected from potentially false or misleading communications with the public distributed by Exchange Members.

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. In this regard and as indicated above, the Exchange notes that the rule change being proposed is substantially similar to filings submitted by other options exchanges and recently approved by the Commission.⁶ The Exchange believes this proposed rule change is necessary to establish uniform rules regarding Options Communications.⁷

Specifically, the proposed rule change will bring clarity and consistency to Exchange Rules. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition as it applies to all Members. In addition, the Exchange does not believe the proposed rule change will bring any unnecessary burden on intermarket competition as it is consistent with the FINRA Options Communications rule.

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.

⁶ See supra note 3.

⁷ Id.

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

MIAX has filed the proposed rule change pursuant to Section 19(b)(3)(A)⁸ of the Act and Rule 19b-4(f)(6) thereunder.⁹ 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 Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)¹¹ normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii)¹² the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. MIAX has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as it will ensure fair competition among the exchanges by allowing the Exchange to conform with changes recently made by FINRA. For

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

these reasons, the Commission designates the proposed rule change to be operative upon filing.¹³

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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail [to rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2013-40 on the subject line.

Paper Comments:

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

¹³ For purposes of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-MIAX-2013-40. 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-2013-40 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.¹⁴

Kevin M. O'Neill
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).