

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70543; File No. SR-MIAX-2013-45)

September 27, 2013

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rule 503

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 19, 2013, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing a proposal to amend Rule 503.

The text of the proposed rule change is available on the Exchange’s website at http://www.miaxoptions.com/filter/wotitle/rule_filing, at MIAX’s principal office, and at the Commission’s Public Reference Room.

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 503 to provide details regarding the treatment of market orders to sell in two specific scenarios during the Exchange's Opening Process – when market sell interest outweighs buy interests and (i) the highest quote bid is either zero or the lowest Minimum Trading Increment or (ii) the Expanded Quote Range has been calculated as zero. The proposal codifies existing functionality during the Exchange's Opening Process.

Specifically, the Exchange proposes adding the following to Rule 503(f)(3):

“In series where the highest quote bid is either zero or the lowest Minimum Trading Increment and market order sell interest has a quantity greater than all of the buy interest, the System will treat the market order(s) like a limit order to sell at the lowest Minimum Trading Increment and the Opening Process will be satisfied with an opening price at the lowest Minimum Increment with any remaining balance of the sell order(s) being placed on the Book in time priority and made available for execution following the Opening Process.”

The Exchange believes that this amendment will prevent any confusion on the part of its members on how such orders will be treated during the Exchange's Opening Process. For instance, in the absence of the proposed amendment to Rule 503(f)(3), a member could believe that a market order to sell could be priced at zero in a no bid series. However, the Exchange System avoids this theoretical outcome by converting the sell market order to a limit order with a limit price of the lowest Minimum Trading Increment. This is very similar to how the MIAX Order Monitor, which applies after the Opening Process, converts market orders to sell in certain circumstances to limit orders to sell with a limit price of one Minimum Trading Increment pursuant to Rule 519.³

Additionally, the Exchange proposes adding the following to Rule 503(f)(8)(ii)(E):

³ See Exchange Rule 519(a)(1).

“However, in a series where the EQR has been calculated to be zero on the bid side and market order sell interest has a quantity greater than all of the buy interest, the System will treat the market order(s) like a limit order(s) to sell at the lowest Minimum Trading Increment and the Opening Process will be satisfied with an opening price at the lowest Minimum Increment with any remaining balance of the sell order(s) being placed on the Book in time priority and made available for execution following the Opening Process.”

The Exchange believes that this amendment, similar to the amendment to Rule 503(f)(3) discussed above, will prevent any confusion on the part of its members on how such orders will be treated during the Exchange’s Opening Process. For instance, in the absence of the proposed amendment to Rule 503(f)(8)(ii)(E), a member could believe that a market order to sell could be priced at zero in a series where the Expanded Quote Range has been calculated to be zero on the bid side. However, the Exchange System avoids this theoretical outcome by converting the sell market order to a limit order with a limit price of the lowest Minimum Trading Increment. This is also very similar to how the MIAX Order Monitor, which applies after the Opening Process, converts market orders to sell in certain circumstances to limit orders to sell with a limit price of one Minimum Trading Increment pursuant to Rule 519.

The Exchange notes that neither the proposed language of Rule 519(f)(3) or 519(f)(8)(E) supersedes the functionality of the Opening (“OPG”) Order as defined in Rule 516(h). Therefore, the remaining balance of any OPG market order to sell that has been converted to a limit order to sell at the Minimum Trading Increment shall be cancelled rather than placed on the Book following the Opening Process.

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, because 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 facilitating transactions in securities, and 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.

The proposed amendments to Exchange Rule 503 removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by providing additional details to the mechanics of the Exchange's Opening Process in order to align the Rule text to existing functionality. Such additional details provide further clarity and transparency around the Opening Process, which, in turn, benefits members by allowing them to better understand how the Exchange System will treat market orders to sell in two specific situations –when market sell interest outweighs buy interests and (i) the highest quote bid is either zero or the lowest Minimum Trading Increment or (ii) the Expanded Quote Range has been calculated as zero. With this information, members can better choose the type of order, such as a market or limit order, to send during the Opening Process.

Additionally, the underlying design of the Exchange System to prevent trades from occurring at a price of zero protects investors and the public interest and promotes just and equitable principles by avoiding trades from occurring at a potentially harmful price, especially for investors entering market orders to sell who would most likely not want to sell a position for no value.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

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. Specifically, the Exchange believes the proposed changes will not impose any burden on intra-market competition because it applies to all MIAX participants equally. In addition, the Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing further transparency regarding the Exchange's Opening Process. The proposed amendment will place the investing public in a better position when selecting which of the various option exchanges to send an order to be including during the respective opening transaction.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act⁶ and Rule 19b-4(f)(6)⁷ thereunder.

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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. Please include File Number SR-MIAX-2013-45 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.

All submissions should refer to File Number SR-MIAX-2013-45. 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 website (<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 such filing also will be available for inspection and copying at the principal offices 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-2013-45, 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.⁸

Kevin M. O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).