SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-93676; File No. SR-MIAX-2021-58)

November 29, 2021

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing of a Proposed Rule Change to Adopt Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act"),[2] and Rule 19b-4 thereunder,[3] notice is hereby given that on November 16, 2021, Miami International Securities Exchange, LLC ("MIAX Options" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls; amend Exchange Rule 100, Definitions; and amend Exchange Rule 518, Complex Orders.

The text of the proposed rule change is available on the Exchange's website at http://www.miaxoptions.com/rule-filings/ at MIAX Options' principal office, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 self-regulatory organization 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 those 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 parts 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 adopt new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls. The Exchange proposes to adopt a new Managed Protection Override feature, a new Max Put Price Protection feature, and a new MIAX Strategy Price Protection ("MSPP") in new proposed Rule 532.

The Exchange proposes to relocate and amend paragraph (a), Vertical Spread Variance ("VSV") Price Protection; paragraph (b), Calendar Spread Variance ("CSV") Price Protection; and paragraph (c) VSV and CSV Price Protection, from Interpretations and Policies .05 of Exchange Rule 518 to new proposed Rule 532 as described below. Additionally, the Exchange proposes to adopt a new Butterfly Spread Variance ("BSV") Price Protection to proposed section (b)(2) of new proposed Rule 532.

The Exchange proposes to relocate paragraph (d), Implied Away Best Bid or Offer ("ixABBO") Price Protection; paragraph (f), Complex MIAX Options Price Collar Protection; and paragraph (g), Market Maker Single Side Protection, from Interpretations and Policies .05 of Exchange Rule 518 to new proposed Rule 532 in their entirety and without modification as section (b)(6), Complex MIAX Options Price Collar Protection; section (b)(7), Implied Away Best Bid or Offer ("ixABBO") Price Protection; and section (b)(8), Market Maker Single Side Protection.

The Exchange proposes to amend Exchange Rule 100, Definitions to insert a clarifying term to the definition of "Book."

The Exchange proposes to relabel paragraph (e) of Interpretations and Policies .05 of Exchange Rule 518 to paragraph (a), and to make a number of non-substantive changes to update internal cross references throughout Exchange Rule 518 that have changed as a result of the proposed changes contained herein.

Background

The Exchange began trading complex orders[4] in October, 2016.[5] As part of its effort to continue to build out its complex order market segment the Exchange has continued to add order

[4] A "complex order" is any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the "legs" or "components" of the complex order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Mini-options may only be part of a complex order that includes other mini-options. Only those complex orders in the classes designated by the Exchange and communicated to Members via Regulatory Circular with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members via Regulatory Circular, are eligible for processing. See Exchange Rule 518(a)(5).

[5] For a complete description of the trading of complex orders on the Exchange, see Exchange Rule 518. See also, Securities Exchange Act Release No. 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (SR-MIAX-2016-26).

types[6] and functionality. To encourage Members[7] to send complex orders to the Exchange the Exchange has implemented numerous risk protections specifically tailored to complex orders. The Exchange is now proposing to modify Exchange Rule 518, Complex Orders, to relocate and consolidate certain risk protection functionality in new proposed Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls, and to adopt additional risk protection functionality as described below.

Proposal

Managed Protection Override

The Exchange proposes to adopt a new Managed Protection Override feature which will work in conjunction with certain risk protections on the Exchange. If a Member enables the Managed Protection Override then all risk protections connected to the Managed Protection Override feature are engaged. When a risk protection connected to the Managed Protection Override feature is triggered, and the Managed Protection Override feature is enabled, the order subject to the risk protection will be cancelled.

The Managed Protection Override will be available for the following risk protections: Vertical Spread Variance ("VSV") Price Protection, Calendar Spread Variance ("CSV") Price Protection, new proposed Butterfly Spread Variance ("BSV") Price Protection, Parity Price Protection, and new proposed Max Put Price Protection.

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6 See Securities Exchange Act Release Nos. 89085 (June 17, 2020), 85 FR 37719 (June 23, 2020) (SR-MIAX-2020-16) (Proposal to adopt new Complex Attributable Order); 89212 (July 1, 2020), 85 FR 41075 (July 8, 2020) (SR-MIAX-2020-20) (Proposal to adopt new Complex Auction-on-Arrival-Only "cAOAO" order type).

7 The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

Currently, when the Vertical Spread Variance ("VSV") Price Protection and the Calendar Spread Variance ("CSV") Price Protection are triggered the default behavior is to manage the order in accordance to Exchange Rule 518(c)(4).[8] Additionally, when the Parity Price Protection is triggered the default behavior is to place the order on the Strategy Book[9] at its parity protected price.[10] The Exchange believes that offering Members the option to have their orders either managed by the Exchange or cancelled gives Members greater flexibility and control over their orders while retaining risk protection functionality.

Max Put Price Protection ("MPPP")

The Exchange proposes to adopt a new price protection for Put options[11] by establishing a maximum price at which a Put option may trade.[12] To determine the maximum price the Exchange will add a pre-set value, the Put Price Variance ("PPV"),[13] to the strike price of the Put

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8 See Interpretations and Policies .05(c) of Exchange Rule 518.

9 The "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

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

11 The term "put" means an option contract under which the holder of the option has the right, in accordance to the terms and provisions of the option, to sell to the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

12 The Exchange notes that the Cboe Exchange offers a similar Buy Order Put Protection which provides that if a User enters a buy limit order for a put with, or if a buy market order (or unexecuted portion) for a put would execute at, a price higher than or equal to the strike price of the option, the System cancels or rejects the order (or unexecuted portion) or quote. This check does not apply to adjusted series or bulk messages. See Cboe Exchange Rule 5.34(a)(3).

13 The proposed pre-set value for the Put Price Variance will be $0.10 to align to other similar price protections on the Exchange. The Exchange believes this value provides an adequate price range for executions while offering price protection against potentially erroneous executions. See MIAX Regulatory Circular 2016-47, MIAX Complex Order Price Protection Pre-set Values (October 20, 2016) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_RC_2016_47.pdf, which establishes a $0.10 pre-set value for Vertical Spreads and Calendar Spreads.

option. The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular. Put bid orders priced through the maximum value (bids higher than the maximum value) will trade up to, and including, the maximum value, and then will be managed at the limit of the allowable range, or optionally cancelled if the Managed Protection Override feature is enabled. Put offer orders priced higher than the maximum value will be rejected. A bid quote will trade up to, and including, the maximum value, then will be managed at the limit of the allowable range, or in the case of a bid eQuote, will be cancelled. An offer quote received that is higher than the maximum price will be displayed.[14]

Example Max Put Price Protection for a Buy Market Order

An order to Buy 10 XYZ Jan 5 Put @ Market is received.

The current market is:
MBBO[15] 0.50 (10) x 5.50 (10)

The price protection is:
Put Price Variance (PPV) = $0.10
Max Put Price Protection = (Strike + PPV) = $5.10

Because the Buy Order is priced through the Max Put Price Protection of $5.10, the order is subject to management and posted to the order book at $5.10.

MBBO 5.10 (10) x 5.50 (10)

Example Max Put Price Protection for a Sell Limit Order

An Order to Sell 10 XYZ Jan 5 Put @ $5.25 is received.

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14 Orders and quotes are handled differently as orders may only be submitted by Electronic Exchange Members and quotes may only be submitted by Market Makers. The term "Electronic Exchange Member" or "EEM" means the holder of a Trading Permit who is not a Market Maker. Electronic Exchange Members are deemed "members" under the Exchange Act. See Exchange Rule 100. The term "Market Makers" refers to "Lead Market Makers", "Primary Lead Market Makers" and "Registered Market Makers" collectively. See Exchange Rule 100.

15 The term "MBBO" means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(13). The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

The current market is:
MBBO 0.50 (10) x 5.50 (10)

The price protection is:
Put Price Variance (PPV) = $0.10
Put Option = XYZ Jan 5 Put
Max Put Price Protection = (Strike + PPV) = $5.10

Because the Sell Order is priced higher than the Max Put Price Protection of $5.10, the order is rejected.

Example Max Put Price Protection for a Buy Quote

A Quote to Buy 10 XYZ Jan 5 Put @ $5.50 is received.

The current market is:
MBBO 0.50 (10) x 5.50 (10)

The price protection is:
Put Price Variance (PPV) = $0.10
Put Option = XYZ Jan 5 Put
Max Put Price Protection = (Strike + PPV) = $5.10

Because the Buy Quote is priced through the Max Put Price Protection of $5.10, the quote posted to the order book and managed at $5.10.

MBBO 5.10 (10) x 5.50 (10)

Example Max Put Price Protection for a Sell Quote

A Quote to Sell 10 XYZ Jan 5 Put @ $5.25 is received.

The current market is:
MBBO 0.50 (10) x 5.50 (10)

The price protection is:
Put Price Variance (PPV) = $0.10
Put Option = XYZ Jan 5 Put
Max Put Price Protection = (Strike + PPV) = $5.10

Although the Sell Quote is priced higher than the Max Put Price Protection of $5.10, sell Quotes priced higher than the Max Put Price Protection are not rejected and therefore it is posted to the order book at $5.25.

MBBO 5.10 (10) x 5.25 (10)

The Exchange believes that offering Members the option to have orders either managed by the Exchange or cancelled when a risk protection is triggered gives Members greater flexibility and control over their orders while retaining the risk protection functionality.

Definitions

The Exchange proposes to include a "Definitions" section as paragraph (b)(1) in Rule 532. For the purposes of proposed paragraph (b) the Exchange will adopt the following definition of a Butterfly Spread in section (b)(1)(i): A "Butterfly Spread" is a three legged Complex Order with two legs to buy (sell) the same number of calls[16] (puts) and one leg is to sell (buy) twice the number of calls (puts), all legs have the same expiration; the strike price of each leg is equidistant from the next sequential strike price; and all legs overlie the same security.[17]

The Exchange also proposes to relocate the definition of Calendar Spread and Vertical Spread from Interpretations and Policies .05(b) and .05(a) of Exchange Rule 518 respectively, to proposed section (b)(1)(ii) and (iii) of proposed Rule 532 respectively. The definition of a Calendar Spread is a complex strategy consisting of one call (put) option and the sale of another call (put) option overlaying the same security that have different expirations but the same strike price. The definition of a Vertical Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have

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16 The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

17 The Exchange notes that its proposed definition of a Butterfly Spread is substantially similar to the definition of a Butterfly Spread used by at least one other options exchange. See Nasdaq ISE, Options 3 Options Trading Rules, Section 16. Complex Order Risk Protections, (b)(3).

the same expiration but different strike prices. The Exchange notes its definition of a Calendar Spread and a Vertical Spread is not changing under this proposal.

Butterfly Spread Price Variance ("BSV") Price Protection

The Exchange proposes to adopt a new price protection for Butterfly Spreads as section (b)(2) of new proposed Rule 532. A butterfly spread is comprised of three legs which have the same expiration date, and are of the same type, either calls or puts, and are at equal strike intervals. The upper and lower strikes are each a buy (sell) and the middle strike is a sell (buy). The ratio of a butterfly spread will always be +1 -2 +1 or -1 +2 -1.

Butterfly Spread Example

Buy 1 XYZ April 50 Call
Sell 2 XYZ April 55 Calls
Buy 1 FYX April 60 Call

The Exchange will establish a price protection for Butterfly Spreads by establishing a Butterfly Spread Variance. The minimum value of a Butterfly Spread is zero and the maximum value is capped at the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price). To establish the maximum and minimum trading values, a configurable pre-set value is added to the maximum spread value and subtracted from the minimum spread value. The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.[18] The minimum and maximum spread values are used together to create an allowable trading range for the Butterfly Spread. Liquidity priced through the allowable trading range (bids higher than the maximum value or offers lower than the minimum value) will trade up to and including the

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18 The Exchange proposes to use a pre-set value of $0.10 for Butterfly Spreads to align to the pre-set value which is used on the Exchange for Calendar Spreads and Vertical Spreads. See supra note 12.

maximum value for bids or down to and including the minimum value for offers, and then will be managed at the limit of the allowable trading range, or cancelled if the Managed Protection Override is enabled. Liquidity priced outside the allowable trading range (offers higher than the maximum value or bids lower than the minimum value) will be rejected.

Example

Butterfly Spread: Buy 1 April 50 Call, Sell 2 April 55 Calls, Buy 1 April 60 Call.

April 50 Call MBBO: $11.00 x $16.00
April 55 Call MBBO: $6.00 x $11.00
April 60 Call MBBO: $1.00 x $6.00

The maximum spread value is absolute value of the difference between the closest strikes or $5.00 (60.00 -55.00 or 55.00 – 50.00). The minimum spread value is zero. If the pre-set value is $0.10 the maximum allowable price is then $5.10 and the minimum allowable price is then $0.10. A strategy order to buy at $5.15 will be managed on the Strategy Book at $5.10.

Calendar Spread Variance ("CSV") Price Protection

The Exchange proposes to (i) relocate the Calendar Spread Variance ("CSV") Price Protection from Rule 518; (ii) make a clarifying change to the rule text; and (iii) amend the rule text to enable the operation of the Managed Protection Override. Specifically, the Exchange proposes to relocate the Calendar Spread Variance ("CSV") Price Protection from Interpretations and Policies .05(b) of Rule 518 to paragraph (b)(3) of new proposed Rule 532. Additionally, the Exchange proposes to amend the rule text of proposed subparagraph (b)(3)(iv) to provide that if the execution price of a complex order would be outside the limit set forth in proposed subparagraph (i)[19] of proposed Rule 532(b)(3), such complex order will trade down to, and

19 The Exchange notes that proposed subparagraph (i) is identical to current paragraph (1) of Interpretations and Policies .05(b) of Exchange Rule 518.

including, the minimum value. This proposed change clarifies the operation of the rule and harmonizes the operation of the rule to that of the Vertical Spread Variance ("VSV") and Butterfly Spread Variance ("BSV") Price Protections. Remaining interest will then be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled. Orders to buy below the minimum trading price limit will be rejected by the System.[20]

Vertical Spread Variance ("VSV") Price Protection

The Exchange proposes to (i) relocate Vertical Spread Variance ("VSV") Price Protection from Rule 518; (ii) make a clarifying change to the rule text; and (iii) amend the rule text to enable the operation of the Managed Protection Override. Specifically, the Exchange proposes to relocate the Vertical Spread Variance ("VSV") Price Protection from Interpretations and Policies .05(a) of Rule 518 to paragraph (b)(4) of new proposed Rule 532. Additionally, the Exchange proposes to amend the rule text of proposed subparagraph (b)(4)(iii) to provide that if the execution price of a complex order would be outside the limits set forth in proposed subparagraph (i)[21] of proposed Rule 532(b)(4), such complex order will trade up to, and including, the maximum value for bids or down to, and including, the minimum value for offers. This proposed change clarifies the operation of the rule and harmonizes the operation of the rule to that of the Calendar Spread Variance ("CSV") and Butterfly Spread Variance ("BSV") Price Protections. Remaining interest will then be placed on the Strategy Book and managed to an appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed

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

21 The Exchange notes that proposed subparagraph (i) is identical to current paragraph (1) of Interpretations and Policies .05(a) of Exchange Rule 518.

Protection Override is enabled. Orders to buy below the minimum trading price limit and orders to sell above the maximum trading price limit will be rejected by the System.

MIAX Strategy Price Protection ("MSPP")

The Exchange now proposes to introduce a MIAX Strategy Price Protection ("MSPP") which will establish a maximum protected price for buy orders and a minimum protected price for sell orders. To determine the maximum price for a buy order the Exchange will add a pre-set value, the MIAX Strategy Price Protection Variance ("MSPPV"),[22] to the offer side value of the cNBBO.[23] To determine the minimum protected price for sell orders the Exchange will subtract the MSPPV value from the bid side value of the cNBBO. The MSPPV value will be determined by the Exchange and communicated to Members via Regulatory Circular. For market orders[24] the functional limit will be the MSPP. All Day[25] and GTC[26] complex orders are eligible for the

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22 The Exchange proposes to use a pre-set value of $2.50 for the MIAX Strategy Price Protection Variance ("MSPPV"). The Exchange believes this value provides an adequate price range for executions while offering price protection against potentially erroneous executions.

23 The cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. For stock-option orders, the cNBBO for a complex strategy will be calculated using the NBBO in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(2).

24 A market order is an order to buy or sell a stated number of option contracts at the best price available at the time of execution. See Exchange Rule 516(a).

25 A Day Limit Order is an order to buy or sell which, if not executed, expires at the end of trading in the security on the day on which it was entered. See Exchange Rule 516(k).

26 A Good 'til Cancelled or "GTC" Order is an order to buy or sell which remains in effect until it is either executed, cancelled or the underlying option expires. See Exchange Rule 516(l).

MIAX Strategy Price Protection. cIOC orders,[27] cAOC orders,[28] cIOC eQuotes,[29] and cAOC eQuotes,[30] are not eligible for the MIAX Strategy Price Protection,[31] nor are crossing orders.[32]

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27 A Complex Immediate-or-Cancel or "cIOC" order is a complex order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. See Exchange Rule 518(b)(4).

28 A Complex Auction-or-Cancel or "cAOC" order is a complex limit order used to provide liquidity during a specific Complex Auction with a time in force that corresponds with that event. cAOC orders are not displayed to any market participant, and are not eligible for trading outside of the event. A cAOC order with a size greater than the aggregate auctioned size (as defined in Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. See Exchange Rule 518(b)(3).

29 A "Complex Immediate or Cancel eQuote" or "cIOC eQuote," which is a complex eQuote with a time-in-force of IOC that may be matched with another complex quote or complex order for an execution to occur in whole or in part upon receipt into the System. cIOC eQuotes will not: (i) be executed against individual orders and quotes resting on the Simple Order Book; (ii) be eligible to initiate a Complex Auction or join a Complex Auction in progress; (iii) rest on the Strategy Book; or (iv) be displayed. Any portion of a cIOC eQuote that is not executed is immediately cancelled. See paragraph (c)(2) of Interpretations and Policies .02 of Exchange Rule 518.

30 A "Complex Auction or Cancel eQuote" or "cAOC eQuote," which is an eQuote submitted by a Market Maker that is used to provide liquidity during a specific Complex Auction with a time in force that corresponds with the duration of the Complex Auction. A cAOC eQuote with a size greater than the aggregate auctioned size (as defined in Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. cAOC eQuotes will not: (i) be executed against individual orders and quotes resting on the Simple Order Book; (ii) be eligible to initiate a Complex Auction, but may join a Complex Auction in progress; (iii) rest on the Strategy Book; or (iv) be displayed. See paragraph (c)(1) of Interpretations and Policies .02 of Exchange Rule 518.

31 The Exchange does not believe that these order types require the additional price protection afforded by the MSPP as these orders and quotes do not rest on the Strategy Book but are either executed immediately or cancelled. See supra notes 26, 27, 28, and 29.

32 The Exchange does not believe that crossing orders require the additional price protection afforded by the MSPP as the execution price of these orders is pre-established. 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(h)(3). See Exchange Rule 518(b)(5). A Complex Qualified Contingent Cross or "cQCC" Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01, coupled with a contra-side complex

The MIAX Strategy Price Protection is an additional price protection feature provided to all Members of the Exchange.

If the MSPP is priced less aggressively than the limit price of a complex order (i.e., the MSPP is less than the complex order's bid price for a buy order, or the MSPP is greater than the complex order's offer price for a sell order) the order will be (i) displayed and/or executed up to, and including, its MSPP for buy orders; or (ii) displayed and/or executed down to, and including, its MSPP for sell orders. Any unexecuted portion of such a complex order will be cancelled.

If the MSPP is priced equal to, or more aggressively than, the limit price of a complex order (i.e., the MSPP is greater than the complex order's bid price for a buy order, of [sic] the MSPP is less than the complex order's offer price for a sell order) the order will be (i) displayed and/or executed up to, and including, its limit price for buy orders; or (ii) displayed and/or executed down to, and including, its limit price for sell orders. Any unexecuted portion of such a complex order: (A) will be subject to the cLEP as described in subsection (e) of Exchange Rule 518; (B) may be submitted, if eligible, to the managed interest process described in Exchange Rule 518(c)(4); or (C) may be placed on the Strategy Book at its limit price.

The MSPP is designed to work in conjunction with other features on the Exchange such as the Complex Liquidity Exposure ("cLEP") Process. The Exchange introduced the Complex Liquidity Exposure Process (cLEP) in 2018.[33] The cLEP process was designed for complex orders and complex eQuotes that violate their Complex MIAX Price Collar ("MPC) price.[34] The

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order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(h)(4). See Exchange Rule 518(b)(6).

33 See Securities Exchange Act Release No. 85155 (February 15, 2019), 84 FR 5739 (February 22, 2019) (SR-MIAX-2018-36).

34 The Exchange notes that there are no changes to the Complex MIAX Price Collar functionality under this proposal.

MPC price protection feature is an Exchange-wide mechanism under which a complex order or complex eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in $0.01 increments (the "MPC Setting"), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the "MPC Price").[35] The MPC Price is established (i) upon receipt of the complex order or eQuote during free trading, or (ii) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or (iii) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretations and Policies .05(e)(1) of this Rule, no longer exists.[36] Once established the MPC Price will not change during the life of the complex order or eQuote. If the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote's bid price for a buy, or the MPC Price is greater than the complex order or eQuote's offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price.[37]

A complex order or complex eQuote that would violate its MPC Price begins a cLEP Auction.[38] The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all

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35 See Exchange Rule 518.05(f).

36 See Exchange Rule 518.05(f)(3).

37 See Exchange Rule 518.05(f)(5).

38 See Exchange Rule 518(e).

subscribers of the Exchange's data feeds.[39] Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii)-(v) of Rule 518, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation Process.[40]

The Reevaluation process occurs at the conclusion of a cLEP Auction where the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). Liquidity with an original limit price equal to or less aggressive than the New MPC Price is no longer subject to the MPC price protection. Liquidity with an original limit price more aggressive than the New MPC Price (or market order liquidity) is subject to the MPC price protection feature using the New MPC Price. In certain scenarios this could lead to a cycle of cLEP Auctions and ever increasing MPC price protection prices.

The operation of the MIAX Strategy Price Protection feature during a cLEP Auction can be seen in the following example.

Example

MPC: 0.25

The Exchange has one order (Order 1) resting on its Strategy Book: +1 component A, -1 component B:

The current market is:

MBBO component A: 4.00(10) x 6.00(10)

MBBO component B: 1.00(10) x 2.50(10)

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39 Id.

40 Id.

NBBO[41] component A: 4.0510) x 4.15(10)

NBBO component B: 2.30(10) x 2.40(10)

cMBBO:[42] 1.50 (10) x 5.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

<u>The price protection is:</u>

MSPPV: 2.50

Buy MSPPV: 1.85 + .2.50 = 4.35

Sell MSPPV: 1.65 – 2.50 = -.85

Order 1 to sell 10 at 1.90 is received and updates the cMBBO.

cMBBO: 1.50 (10) x 1.90 (10)

The Exchange receives a new order (Order 2) to buy 30 at the Market. For Market Orders the functional limit is the MSPP or 4.35.

Order 2 buys 10 from Order 1 at $1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its MPC protected price of $2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the cLEP Auction begins.

During the cLEP Auction the Exchange receives a new order (Order 3) to sell 10 at 2.10. This order locks the current same side Book Price of $2.10. At the end of the auction, Order 3 sells 10 to Order 2 at $2.10, filling Order 3.

Order 2 reprices to the next MPC protected price of $2.35 (initial MPC of 2.10 + 0.25) and is posted at that price on the Strategy Book and the next cLEP Auction begins.

During the next cLEP Auction the Exchange does not receive any interest to sell. At the end of the auction Order 2 is reevaluated and reprices to the next MPC protected price of 2.60 (previous MPC of 2.35 + 0.25) and is posted at that price on the Strategy Book and the next cLEP Auction begins.

During all subsequent cLEP Auctions the Exchange does not receive any interest to sell. At the end of each subsequent auction, Order 2 is reevaluated and repriced to the next MPC protected

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41 The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor (“SIP”). <u>See</u> Exchange Rule 518(a)(14).

42 The cMBBO is calculated using the MBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy on the Exchange.

price as seen below until the MSPP protected price is equal to or less than the MPC protected price.

3rd MPC evaluation 2.60 + 0.25 = 2.85

4th MPC evaluation 2.85 + 0.25 = 3.10

5th MPC evaluation 3.10 + 0.25 = 3.35

6th MPC evaluation 3.35 + 0.25 = 3.60

7th MPC evaluation 3.60 + 0.25 = 3.85

8th MPC evaluation 3.85 + 0.25 = 4.10

9th MPC evaluation 4.10 + 0.25 = 4.35

At the end of the final auction, because the MSPP protected price of 4.35 is equal to the MPC protected price of 4.35, Order 2 is not repriced to the next MPC and is cancelled subject to MSPP.

cMBBO: 4.35 (10) x 5.00 (10)

The Exchange proposes to amend Exchange Rule 518(e), Reevaluation, to account for the introduction of a protected price in the cLEP process. The proposed rule text will provide that, at the conclusion of a cLEP Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price or protected price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the “New MPC Price”). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price or protected price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of this Rule. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

The Exchange also proposes to amend Rule 518(e), Allocation at the Conclusion of a Complex Liquidity Exposure Auction, to provide that orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, orders subject to MSPP are allocated using their protected price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule.

Parity Price Protection

The Exchange proposes to amend paragraph (g), Parity Price Protection, of Interpretations and Policies .01 of Exchange Rule 518, to provide that Married-Put and Buy-Write interest to sell (sell put and sell stock; or sell call and buy stock) that is priced below the parity protected price for the strategy will be placed on the Strategy Book at the parity protected price for the strategy, or cancelled if the Managed Protection Override is enabled. This provision allows the Parity Price Protection functionality to operate in conjunction with the Managed Protection Override feature which cancels an order when its price protection feature is triggered. The Exchange believes that offering Members the option to have orders either managed by the Exchange or cancelled when a risk protection is triggered gives Members greater flexibility and control over their orders while retaining the risk protection functionality.

Miscellaneous

The Exchange proposes to rename paragraph (e), Wide Market Conditions, SMAT Events and Halts, of Interpretations and Policies .05 of Exchange Rule 518, to new paragraph (a), as a result of the removal of the preceding paragraphs (a), (b), (c), and (d) from Interpretations and Policies .05 of Exchange Rule 518, which have been relocated to new proposed Rule 532. Additionally, the Exchange proposes to make a number of non-substantive changes in Rule 518 to correct internal cross references that have changed as a result of this proposal.

The Exchange also proposes to amend the definition of "Book" in Exchange Rule 100 by adding the clarifying term "simple" to the current definition. The Exchange proposes to define the term "Book" to mean the electronic book of simple buy and sell orders and quotes maintained by the System. When the Exchange introduced complex orders the Exchange defined the "Strategy Book" [43] as the Exchange's electronic book of complex orders and complex quotes. Additionally, the Exchange defined the "Simple Order Book" [44] as the Exchange's regular electronic book of orders and quotes in Rule 518. The Exchange believes its proposal to amend the definition provided in Exchange Rule 100 adds clarity to the definition regarding which book of orders and quotes is being referenced.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act[45] in general, and furthers the objectives of Section 6(b)(5) of the Act[46] 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

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43 See Exchange Rule 518(a)(17).

44 See Exchange Rule 518(a)(15).

45 15 U.S.C. 78f(b).

46 15 U.S.C. 78f(b)(5).

Managed Protection Override

The Exchange believes that the Managed Protection Override feature promotes just and equitable principles of trade, 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 a mechanism by which Members may determine the way their orders are handled when a risk protection is triggered. The Exchange believes that it has an effective way to manage orders on the Exchange so that they do not execute at potentially erroneous prices, however the Exchange believes that giving Members the option to have their orders cancelled if a risk protection is triggered protects investors and the public interest. Members can make a decision on what to do with their order based on the then current market conditions and may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanisms of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Max Put Price Protection

The Exchange believes that the Max Put Price Protection feature promotes just and equitable principles of trade, 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 a risk protection mechanism to prevent trades from occurring at potentially unwanted or erroneous prices. Additionally, the Exchange believes that making this risk protection feature eligible for the Managed Protection Override feature benefits Members as it gives them the option to have their order cancelled if the Max Put Price protection is triggered and the Managed Protection Override feature is enabled. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Butterfly Spread Price Variance (“BSV”) Price Protection

The Exchange believes that the Butterfly Spread Price Variance (“BSV”) Price Protection feature promotes just and equitable principles of trade, 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 a risk protection mechanism that will establish minimum and maximum trading values to prevent an order from trading at a potentially unwanted or erroneous price.

Additionally, the Exchange believes that making the Butterfly Spread Price Variance (“BSV”) Price Protection eligible for the Managed Protection Override feature benefits Members as it gives them the option to have their order cancelled if the Butterfly Spread Price Variance Price Protection is triggered and the Managed Protection Override feature is enabled. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Calendar Spread Variance ("CSV") Price Protection

The Exchange believes that amending the Calendar Spread Price Variance ("CSV") Price Protection feature to enable the Managed Protection Override feature promotes just and equitable principles of trade, 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 Members the option of having the Exchange manage their order when a price protection is triggered, or having their order cancelled when a price protection is triggered, if the Managed Protection Override is enabled. The Exchange believes cancelling an order in this scenario benefits Members as it allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

The Exchange believes amending the rule text to clarify the operation of the rule and to harmonize the rule text to that of the Vertical Spread Variance ("VSV") and Butterfly Spread Variance ("BSV") Price Protections promotes the protection of investors by having similar rule text and similar behavior for similar price protections which provides clarity and consistency within the Exchange's rulebook. A clear and concise rulebook benefits investors and the public interest as it reduces the chance for confusion regarding the operation of price protection functionality.

Vertical Spread Variance ("VSV") Price Protection

The Exchange believes that amending the Vertical Spread Price Variance ("VSV") Price Protection feature to enable the Managed Protection Override feature promotes just and equitable principles of trade, 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 Members the option of having the Exchange manage their order when a price protection is triggered, or having their order cancelled, when a price protection is triggered, if the Managed Protection Override is enabled. The Exchange believes cancelling an order in this scenario benefits Members as it allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

The Exchange believes amending the rule text to clarify the operation of the rule and to harmonize the rule text to that of the Calendar Spread Variance ("CSV") and Butterfly Spread Variance ("BSV") Price Protections promotes the protection of investors by having similar rule text and similar behavior for similar price protections which provides clarity and consistency within the Exchange's rulebook. A clear and concise rulebook benefits investors and the public interest as it reduces the chance for confusion regarding the operation of price protection functionality.

MIAX Strategy Price Protection ("MSPP")

The Exchange believes that the adoption of the MIAX Strategy Price Protection ("MSPP") promotes just and equitable principles of trade, and facilitates transactions in securities, remove [sic] 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 an order price protection that establishes a minimum and maximum trading value to prevent potentially unwanted or erroneous executions from occurring. The Exchange believes that when the MSPP is priced less aggressively than the limit price of the complex order that executing the order, up to an including its MSPP for buy orders, or down to and including its MSPP for sell orders, and cancelling any unexecuted portion of the order, protects investors and the public interest. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Parity Price Protection

The Exchange believes that amending Interpretations and Policies .01(g), Parity Price Protection, of Exchange Rule 518, to operate in conjunction with the Managed Protection

Override feature promotes just and equitable principles of trade, and facilitates transactions in securities, 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 Members greater flexibility and control over their orders if the Parity Price Protection is triggered. The Exchange believes that making this risk protection feature eligible for the Managed Protection Override feature benefits Members as it gives them the option to have their order cancelled if the Parity Price Protection is triggered and the Managed Protection Override feature is enabled. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Miscellaneous

The Exchange believes that amending the definition of "Book" promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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 a clarifying term to the existing definition. In particular, the Exchange believes that the proposed change will provide greater clarity to Members and the public regarding the

Exchange's Rules. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes the proposed change to correct internal cross references within the Exchange's Rulebook promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system because the proposal ensures that the Exchange's rules are accurate. The Exchange notes that the proposed changes to correct internal cross references and to make minor non-substantive edits does not alter the application of each rule. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and national exchange system. In particular, the Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes this proposal promotes just and equitable principles of trade, 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 new price protection features for MIAX Members. Additionally, the description of the System's functionality is designed to promote just and equitable principles of trade by providing a clear and accurate description to all participants of how the price protection process is applied and should assist investors in making decisions concerning their orders. Further, the Exchange believes that the price protection features and functionality provides market participants with an appropriate level of risk protection to their orders and contributes to the maintenance of a fair and orderly market.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Specifically, the Exchange does not believe that the proposed changes will impose any burden on intra-market competition as the rules of the Exchange apply equally to all MIAX participants. The price protections are available for any MIAX Member that submits orders or quotes to the Exchange. Any MIAX Member that submits a complex order to the Exchange will benefit from the risk protections proposed herein. Further any MIAX Member that seeks to buy or sell a put will be afforded the MAX Put Price protection. Additionally, any Member may elect to enable the Managed Protection Override feature to allow the Exchange to cancel their orders when a risk protection is triggered.

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 additional price protection functionality and further enhancements and transparency to the Exchange's risk protections. The Exchange's proposal may promote inter-market competition as the Exchange's proposal adds additional price protection features and functionality that may attract additional order flow to the Exchange, thereby promoting inter-market competition.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be 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-2021-58 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-MIAX-2021-58. 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 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MIAX-2021-58, 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.[47]

J. Matthew DeLesDernier
Assistant Secretary

[47] 17 CFR 200.30-3(a)(12).