

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80121; File No. SR-MIAX-2017-09]

### Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MIAX Options Rule 519, MIAX Order Monitor

February 28, 2017.

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 February 23, 2017, Miami International Securities Exchange, LLC (“MIAX Options” 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 amend Exchange Rule 519, MIAX Order Monitor.

The text of the proposed rule change is available on the Exchange’s Web site at <http://www.miaxoptions.com/rule-filings>, 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.

#### 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 519, MIAX Order Monitor, to clarify the behavior of the Order Size Protection functionality (defined below) described in paragraph (b) and to make minor, non-substantive changes to the rule as described below. The Exchange also proposes to amend Rule 519 by removing the option for a Member<sup>3</sup> to disable the risk protection features described in paragraphs (b)–(d) of the rule: Order Size Protection, Open Order Protection, and Open Contract Protection, respectively, which are all defined below.

The MIAX Order Monitor is a risk management feature of the Exchange’s System.<sup>4</sup> Pursuant to paragraph (b) of Rule 519, the MIAX Order Monitor prevents certain orders from executing or being placed on the Book<sup>5</sup> if the size of the order exceeds the Order Size Protection designated by the Member submitting the order (proposed “Order Size Protection”).<sup>6</sup> If the maximum size of an order is not designated by the Member, the Exchange will set a default maximum value which will be determined by the Exchange and announced to Members through a Regulatory Circular.<sup>7</sup>

Pursuant to paragraph (c) of Rule 519, the MIAX Order Monitor rejects any orders that exceed the maximum number of open orders held in the System on behalf of a particular Member (the “Open Order Protection”).<sup>8</sup> If the maximum number of open orders is not designated by the Member, the Exchange will set a default maximum value which will be determined by the Exchange and announced to Members through a Regulatory Circular.<sup>9</sup>

<sup>3</sup> 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.

<sup>4</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>5</sup> The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

<sup>6</sup> See Exchange Rule 519(b).

<sup>7</sup> The Exchange notes that the current default maximum order size is 10,000 contracts.

<sup>8</sup> See Exchange Rule 519(c).

<sup>9</sup> The Exchange notes that the current default maximum number of open orders is 30,000.

Pursuant to paragraph (d) of Rule 519, the MIAX Order Monitor rejects any orders that cause the number of open contracts represented by orders held in the System on behalf of a particular Member (the “Open Contract Protection”)<sup>10</sup> to exceed a specified maximum number of contracts. If the maximum number of open contracts is not designated by the Member, the Exchange will set a default maximum value which will be determined by the Exchange and announced to Members through a Regulatory Circular.<sup>11</sup>

The Exchange also proposes to make minor, non-substantive changes to paragraph (b) to make the language clear and consistent with the remainder of the rule. The Exchange proposes to amend the heading of paragraph (b) from “Order Size Protections” to “Order Size Protection” to more accurately reflect the scope of the functionality. Additionally, the Exchange proposes to change the rule text to more accurately describe that the functionality operates on a per order basis. The Exchange proposes to make clarifying changes to the second sentence by changing the first occurrence of “orders” to “an order” and changing the second occurrence of “orders” to “order” and placing it after the word “maximum” so the proposed revised sentence would read, “[i]f the maximum size of an order is not designated by the Member, the Exchange will set a maximum order size on behalf of the Member by default.” The Order Size Protection operates on an order by order basis, and the Exchange believes the revised language more accurately describes the functionality.

Additionally, the Exchange proposes to amend paragraph (b) to eliminate the option for Members to disable the Order Size Protection. The proposed sentence will read, “[m]embers may designate the order size protection on a firm wide basis.” Should a Member fail to designate an Order Size Protection value, the Exchange will apply a default setting, which it will determine and announce to Members through a Regulatory Circular.

The Exchange also proposes to amend paragraph (c) to remove the option for Members to disable the Open Order Protection. If a Member does not designate an appropriate value, the Exchange will apply a default value, which it will determine and announce to Members through a Regulatory Circular.

<sup>10</sup> See Exchange Rule 519(d).

<sup>11</sup> The Exchange notes that the current default maximum number of open contracts is 1,000,000.

<sup>18</sup> 17 CFR 200.30-3(a)(12).

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

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

Finally, the Exchange proposes to amend paragraph (d) to remove the option for Members to disable the Open Contract Protection. If a Member does not designate an appropriate value, the Exchange will apply a default value, which it will determine and announce to Members through a Regulatory Circular.

The proposed rule change is designed to protect market participants by eliminating the option for Members to disable the Order Size Protection, Open Order Protection, and Open Contract Protection features of the MIAX Order Monitor. The proposed rule change ensures that settings are in place, either provided by the Member or the Exchange, that can be used to (i) avoid the potential submission of erroneously sized orders to the Exchange (Order Size Protection), (ii) prevent market participants from exceeding the number of open orders in the System (Open Order Protection), or (iii) the number of open contracts represented by orders in the System (Open Contract Protection).

In addition, the Exchange believes that clarifying the operation of the Order Size Protection functionality will enable market participants to better understand the risk protections available on the Exchange.

The Exchange notes that some of its rules are incorporated by reference by MIAX PEARL,<sup>12</sup> and in addition, that MIAX Options and MIAX PEARL have other rules in common. MIAX Options and MIAX PEARL also have a number of common Members and where feasible the Exchange intends to implement similar behavior of matching rules on each Exchange to provide consistency between the Exchanges so as to avoid confusion among Members. Aligning similar rules on MIAX Options and MIAX PEARL provides transparency and clarity in the rules and minimizes the potential for confusion, thereby protecting investors and the public interest.

The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 60 days following the operative date of the proposed rule. The implementation date will be no later than 60 days following the issuance of the Regulatory Circular.

## 2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>13</sup> in general, and furthers the

objectives of Section 6(b)(5) of the Act<sup>14</sup> 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 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.

The proposed rule change is designed to protect investors and the public interest by eliminating the option for market participants to disable Order Size Protection, Open Order Protection, and Open Contract Protection, which ensures either a value provided by the firm or a default Exchange setting is used, to help market participants avoid the potential submission of orders to the Exchange that would cause them to be at unintended risk levels. The proposed rule change ensures that all orders being submitted to the Exchange have risk protection settings in place. Eliminating a market participant's ability to disable Order Size Protection will help reduce the negative impacts of receiving an erroneously sized order. Eliminating a market participant's ability to disable Open Order and Open Contract Protections will ensure that risk protections are in place to account for sudden, unanticipated volatility in individual options, and will serve to preserve an orderly market in a transparent and uniform manner, increase overall market confidence, and promote fair and orderly markets and further the protection of investors.

The Exchange believes that all market participants will benefit from the proposed change to the Rule. Market participants are vulnerable to risks stemming from market events which may cause them to send a large number of orders or receive multiple, automatic executions before they can adjust their order exposure in the market. Without adequate risk management tools, such as the MIAX Order Monitor, market participants could reduce the amount of order flow and liquidity that they provide to the market. Such actions may undermine the quality of the markets available to customers and other market participants. Accordingly, the proposed amendments to the MIAX Order Monitor should instill additional confidence in market participants that submit orders to the Exchange that there are adequate risk protections in place, and thus should encourage market participants to submit additional order

flow to the Exchange, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system, and in general, protecting investors and the public interest.

In addition, the Exchange believes that the proposed amendment 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 helping to eliminate potential confusion on behalf of market participants by clearly describing the Order Size Protection functionality. Further, the Exchange believes that clarifying the operation of the risk protections available on the Exchange promotes the protection of investors and the public interest by helping market participants avoid the potential submission and subsequent execution of erroneously sized orders.

Finally, the Exchange notes that some of its rules are incorporated by reference by MIAX PEARL,<sup>15</sup> and in addition, that MIAX Options and MIAX PEARL have other rules in common. MIAX Options and MIAX PEARL also have a number of common Members and where feasible the Exchange intends to implement similar behavior of matching rules on each Exchange to provide consistency between the Exchanges so as to avoid confusion among Members. Aligning similar rules on MIAX Options and MIAX PEARL provides transparency and clarity in the rules and minimizes the potential for confusion, thereby protecting investors and the public interest.

## *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 believes the proposed changes will not impose any burden on intra-market competition because it applies to all MIAX Options 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 MIAX Order Monitor feature.

<sup>12</sup> See MIAX PEARL Exchange Rules Chapter III, VII, VIII, IX, XI, XIII, XIV, XV, and XVI.

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

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> See *supra* note 12.

*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 Act<sup>16</sup> and Rule 19b-4(f)(6)<sup>17</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**

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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2017-09 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-2017-09. 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 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 Web site 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-2017-09 and should be submitted on or before March 27, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-80125; File No. SR-NYSE-2017-05]

**Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to the Co-Location Services Offered by the Exchange Adding a Wireless Connection to Toronto Stock Exchange (TSX) Third Party Data**

February 28, 2017.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on February

15, 2017, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II 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 the Substance of the Proposed Rule Change**

The Exchange proposes to change the co-location services offered by the Exchange to include a means for co-located Users to receive the Toronto Stock Market market data feed through a wireless connection. In addition, the proposed rule change reflects changes to the Exchange's Price List related to the proposed service. The proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, 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 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 change the co-location<sup>4</sup> services offered by the Exchange to include a means for Users<sup>5</sup>

<sup>4</sup> The Exchange initially filed rule changes relating to its co-location services with the Securities and Exchange Commission ("Commission") in 2010. See Securities Exchange Act Release No. 62960 (September 21, 2010), 75 FR 59310 (September 27, 2010) (SR-NYSE-2010-56). The Exchange operates a data center in Mahwah, New Jersey (the "Data Center") from which it provides co-location services to Users.

<sup>5</sup> For purposes of the Exchange's co-location services, a "User" means any market participant that requests to receive co-location services directly from the Exchange. See Securities Exchange Act Release No. 76008 (September 29, 2015), 80 FR 60190 (October 5, 2015) (SR-NYSE-2015-40). As

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>17</sup> 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.

<sup>18</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.