

is on the [SRO] that proposed the rule change.”<sup>35</sup> The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>36</sup> and any failure of an SRO to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Act and the applicable rules and regulations thereunder.<sup>37</sup>

The Commission is instituting proceedings to allow for additional consideration and comment on the issues raised herein, including as to whether the proposed rule changes are consistent with the Act, and specifically, with its requirements that exchange fees be reasonable and equitably allocated; be designed to perfect the mechanism of a free and open market and the national market system, protect investors and the public interest, and not be unfairly discriminatory; and not impose an unnecessary or inappropriate burden on competition.<sup>38</sup>

#### V. Commission's Solicitation of Comments

The Commission requests written views, data, and arguments with respect to the concerns identified above as well as any other relevant concerns. Such comments should be submitted by March 15, 2019. Rebuttal comments should be submitted by March 29, 2019. Although there do not appear to be any issues relevant to approval or disapproval which would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.<sup>39</sup>

The Commission asks that commenters address the sufficiency and merit of the Exchanges' statements in support of the proposals, in addition to any other comments they may wish to submit about the proposed rule changes. Interested persons are invited to submit

written data, views, and arguments concerning the proposed rule changes, including whether the proposed rule changes are 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-BX-2018-066, SR-Phlx-2018-83, or both on the subject line.

#### Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2018-066, SR-Phlx-2018-83, or both. 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 website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submissions, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 filings 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-BX-2018-066, SR-Phlx-2018-83, or both and should be submitted on or before March 15, 2019. Rebuttal comments should be submitted by March 29, 2019.

#### VI. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(3)(C) of the Act,<sup>40</sup> that File Numbers SR-BX-2018-066 and SR-Phlx-2018-83 be and hereby are, temporarily suspended. In addition, the Commission is instituting proceedings to determine whether the proposed rule changes should be approved or disapproved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority,<sup>41</sup>

**Eduardo A. Aleman,**  
*Deputy Secretary.*

[FR Doc. 2019-03041 Filed 2-21-19; 8:45 am]

BILLING CODE 8011-01-P

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85155; File No. SR-MIAX-2018-36]

#### Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Amend MIAX Rule 518, Complex Orders

February 15, 2019.

#### I. Introduction

On November 9, 2018, Miami International Securities Exchange, LLC (“Exchange” or “MIAX”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to make several changes to MIAX Rule 518, “Complex Orders.” The proposed rule change was published for comment in the *Federal Register* on November 23, 2018.<sup>3</sup> On December 21, 2018, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>5</sup>

<sup>40</sup> 15 U.S.C. 78s(b)(3)(C).

<sup>41</sup> 17 CFR 200.30-3(a)(57), (58).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 84613 (Nov. 16, 2018), 83 FR 59435 (“Notice”).

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 84950, 83 FR 67758 (December 31, 2018). The Commission designated February 21, 2019, as the date by which the Commission shall approve or disapprove, or

Continued

<sup>35</sup> Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

<sup>36</sup> See *id.*

<sup>37</sup> See *id.*

<sup>38</sup> See 15 U.S.C. 78f(b)(4), (5), and (8).

<sup>39</sup> 15 U.S.C. 78s(b)(2). Section 19(b)(2) of the Act grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by an SRO. See Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing and Urban Affairs to Accompany S. 249, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

On February 13, 2019, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>6</sup> The Commission has received no comments regarding the proposal. The Commission is publishing this notice to solicit comment on Amendment No. 1 to the proposed rule change from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

## II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

As described more fully in the Notice,<sup>7</sup> the proposal amends MIAX Rule 518 to (1) establish a new Complex Liquidity Exposure Process (“cLEP Auction”) for Complex Orders and make corresponding changes to the Complex MIAX Price Collar (“MPC”) price protection feature; (2) eliminate the Defined Time Period and revise the Response Time Interval for the Complex Auction; (3) provide that the Calendar Spread Variance (“CSV”) Price Protection applies only to American-style option classes; and (4) add the Liquidity Exposure Process as a Simple Market Auction or Timer (“SMAT”) Event.<sup>8</sup>

### cLEP Auction

Under the proposal, MIAX’s System<sup>9</sup> will initiate a cLEP Auction whenever a complex order or eQuote would execute or post at a price that would violate its MPC Price.<sup>10</sup> The System will post the

institute proceedings to determine whether to approve or disapprove, the proposed rule change.

<sup>6</sup> Amendment No. 1 revises the proposal to (1) clarify the rule describing the operation of the proposed Complex Liquidity Exposure Period (“cLEP”) Auction and provide an additional example demonstrating the operation of the proposed cLEP Auction; (2) provide additional rationale for eliminating the Defined Time Period for the Complex Auction and make representations regarding system capability and surveillance with respect to the Complex Auction, as modified by the proposal; (3) indicate that the Auction Timer for MIAX’s cPRIME Auction will remain at 100 milliseconds; and (4) clarify the discussion of the proposed change to the Calendar Spread Variance Price Protection. Amendment No. 1 is available at <https://www.sec.gov/comments/sr-miax-2018-36/srmiax201836-4932160-178431.pdf>.

<sup>7</sup> See note 3, *supra*.

<sup>8</sup> The Liquidity Exposure Process was approved in a separate proposal. See Securities Exchange Release No. 85147 (February 15, 2019) (order approving File No. SR-MIAX-2018-35) (“LEP Filing”).

<sup>9</sup> The System is the automated trading system used by the Exchange for the trading of securities. See MIAX Rule 100.

<sup>10</sup> See Amendment No. 1. The MPC price protection feature is an Exchange-wide price protection mechanism under which a complex order or 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

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 subscribers of the Exchange’s data feeds.<sup>11</sup> The liquidity exposure message will include the symbol, side of the market, auction start price (the MPC Price of the complex order or eQuote), and the imbalance quantity.<sup>12</sup> Members may respond to the liquidity exposure message during the Response Time Interval.<sup>13</sup> Responses, which may be in \$0.01 increments, must be a cAOC order or a cAOC eQuote, and may be submitted on either side of the market.<sup>14</sup> Responses represent non-firm interest that can be withdrawn at any time prior to the end of the Response Time Interval.<sup>15</sup> At the end of the Response Time Interval, responses are firm (*i.e.*, guaranteed at the response price and size).<sup>16</sup> Any responses not executed in full will expire at the end of the cLEP Auction.<sup>17</sup>

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”). See MIAX Rule 518, Interpretation and Policy .05(f). See Notice, 83 FR at 59437, and Amendment No. 1 for examples of the operation of the proposed cLEP Auction.

<sup>11</sup> See proposed MIAX Rule 518(e).

<sup>12</sup> See *id.*

<sup>13</sup> The duration of the Response Time Interval will be no less than 100 milliseconds and no more than 5,000 milliseconds, as determined by the Exchange and announced through a Regulatory Circular. See *id.*

<sup>14</sup> See *id.* 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 MIAX Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. See MIAX Rule 518(b)(3). A “Complex Auction or Cancel eQuote” or “cAOC eQuote,” 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 MIAX 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 MIAX Rule 518, Interpretation and Policy .02(c)(1).

<sup>15</sup> See *id.*

<sup>16</sup> See *id.*

<sup>17</sup> See *id.* A response on the opposite side of the initiating order with a size greater than the aggregate size of interest at the same price on the same side of the market as the initiating order (the “aggregate auctioned size”) will be capped for allocation purposes at the aggregate auctioned size. See *id.* and Amendment No. 1.

At the conclusion of the cLEP Auction the resulting trade price will be determined, and interest will execute, as described in MIAX Rule 518(d)(6).<sup>18</sup> The resulting trade price will never be more aggressive than the MPC Price.<sup>19</sup> Liquidity remaining at the conclusion of the cLEP Auction 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 MIAX Rule 518(c)(2)(ii)–(v), or (ii) more aggressive than the MPC Price will be subject to the reevaluation process.<sup>20</sup> Orders and eQuotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, and thereafter in accordance with the Complex Auction allocation procedures described in MIAX Rule (d)(7)(i)–(vi).<sup>21</sup>

At the start of the Reevaluation process, the System will calculate the next potential MPC Price for remaining auction liquidity with an original limit price more aggressive than the existing MPC Price.<sup>22</sup> 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”).<sup>23</sup> The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price.<sup>24</sup> Liquidity with an original limit 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 MIAX Rule (c)(2)(ii)–(v).<sup>25</sup> The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price.<sup>26</sup> At the

<sup>18</sup> See proposed MIAX Rule 518(e) and Amendment No. 1.

<sup>19</sup> See proposed MIAX Rule 518(e) and Amendment No. 1.

<sup>20</sup> See *id.*

<sup>21</sup> See proposed MIAX Rule 518(e).

<sup>22</sup> See proposed MIAX Rule 518(e) and Amendment No. 1.

<sup>23</sup> See *id.*

<sup>24</sup> See *id.*

<sup>25</sup> See *id.*

<sup>26</sup> See *id.* The proposal makes technical corrections to the MPC Price protection provisions in MIAX Rule 518, Interpretation and Policy .05(f) to incorporate changes associated with the proposed cLEP Auction process. Because the MPC Price of certain complex orders and eQuotes may change as a result of the cLEP Reevaluation process, the proposal deletes Interpretation and Policy .05(f)(4), which states that the MPC Price of a complex order or eQuote will not change during the life of the complex order or eQuote. The proposal renumbers the remaining subparagraphs in paragraph (f) to reflect the elimination of subparagraph (4). The proposal also revises Interpretation and Policy .05(f)(6)(A) to provide that any unexecuted portion of a market order or a

conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.<sup>27</sup>

MIAX notes that the proposed cLEP Auction process provides an additional price discovery opportunity for orders and eQuotes that would trade through their MPC Price.<sup>28</sup> MIAX believes that it is in the best interest of a Member to seek liquidity for the unexecuted portion of an order that exceeds its MPC Price rather than cancelling any unexecuted portion of the order back to the Member.<sup>29</sup>

#### Complex Auction

Currently, MIAX provides a single-sided Complex Auction functionality, as described in MIAX Rule 518, and a cPRIME Auction for paired complex orders, as described in MIAX Rule 515A, Interpretation and Policy .12.<sup>30</sup> The proposal makes related changes to the Defined Time Period and the Response Time Interval of the Complex Auction. MIAX Rule 518(d)(2) states that the System will not commence a Complex Auction within a defined time period prior to the end of the trading session (the "Defined Time Period") established by the Exchange.<sup>31</sup> MIAX Rule 518(d)(3) defines the Response Time Interval as the period of time during which Complex Auction responses (*i.e.*, responses to the Request for Responses message) may be entered.<sup>32</sup> The proposal removes references to the Defined Time Period from MIAX Rules 518(b)(2)(i) and (d)(2).<sup>33</sup> The proposal amends MIAX Rule 518(d)(3) to state that the end of the trading session will also serve as the end of the Response Time Interval for a Complex Auction still in progress. The proposal makes no changes to the

complex order or eQuote priced more aggressively than its MPC Price will be subject to the cLEP Auction process, rather than cancelled if it would otherwise be displayed or executed at a price outside its MPC Price. See Notice, 83 FR at 59437–8.

<sup>27</sup> See *id.* MIAX notes that a Member who believes that an execution has occurred at an erroneous price may avail itself of the protections provided in MIAX Rule 521, "Nullification and Adjustment of Options Transactions Including Obvious Errors." See *id.* at n. 29.

<sup>28</sup> See *id.* at 59438.

<sup>29</sup> See *id.*

<sup>30</sup> See *id.* at 59436 and Amendment No. 1.

<sup>31</sup> MIAX notes that the Defined Time Period currently is 2,000 milliseconds, while the duration of a Complex Auction is 200 milliseconds. See Notice, 83 FR at 59436.

<sup>32</sup> MIAX notes that the Response Time Interval currently is set to 200 milliseconds. See *id.* at n. 10. See also MIAX Regulatory Circular 2016–46.

<sup>33</sup> MIAX Rule 518(b)(2)(i) states, in part, that a Complex Auction-on-Arrival ("cAOA") Order received during the Defined Time Period will not initiate a new Complex Auction.

cPRIME Auction, and the cPRIME Timer will remain at 100 milliseconds.<sup>34</sup>

MIAX notes that under its current rules there is no opportunity for price improvement via a Complex Auction when there is less than two seconds left in the trading session.<sup>35</sup> MIAX believes that removing the Defined Time Period and allowing the end of the trading session to serve as the end of the Response Time Interval when a Complex Auction is initiated with less than 200 milliseconds left in the trading session will allow for more opportunities for price improvement via the auction process.<sup>36</sup> In this regard, MIAX notes that Members responding to Complex Auctions are able to do so in less than 10 milliseconds.<sup>37</sup> In addition, MIAX states that if a Member initiates a Complex Auction and no Members respond, the initiating Member is no worse off under the proposed rule than the Member would have been under MIAX's current rule, which prevents the Member from even attempting to initiate a Complex Auction with less than two seconds left in the trading session.<sup>38</sup> MIAX notes that a Member who initiates a Complex Auction will not forego the opportunity to trade with unrelated interest received during the Complex Auction because unrelated interest is included in the Complex Auction.<sup>39</sup>

MIAX represents that it has the System capacity and capability to conduct auctions and execute transactions in a timely fashion at any time during the trading session, including the last two seconds of the trading session.<sup>40</sup> MIAX further represents that it has surveillances in place to surveil for conduct that violates the Exchange's rules, specifically as they pertain to Complex Auctions as described in the proposal.<sup>41</sup>

#### CSV Price Protection

The proposal amends MIAX Rule 518, Interpretation and Policy .05(b) to indicate that the CSV Price Protection

<sup>34</sup> See Amendment No. 1.

<sup>35</sup> See Notice, 83 FR at 59436.

<sup>36</sup> See *id.*

<sup>37</sup> See Amendment No. 1.

<sup>38</sup> See Notice, 83 FR at 59438, and Amendment No. 1.

<sup>39</sup> See Amendment No. 1 and MIAX Rule 518(d)(8).

<sup>40</sup> See *id.*

<sup>41</sup> See *id.* MIAX notes that MIAX Rule 518, Interpretation and Policy .04, "Dissemination of Information," remains in effect for any Complex Auction-eligible order submitted to MIAX at any time. See Amendment No. 1. MIAX Rule 518, Interpretation and Policy .04 provides that dissemination of information related to Complex Auction-eligible orders by the submitting Member to third parties will be deemed conduct inconsistent with just and equitable principles of trade as described in Rule 301.

applies only to strategies in American-style option classes.<sup>42</sup> MIAX notes that the CSV establishes a minimum trading price limit for Calendar Spreads of zero minus the preset value of \$.10, thereby ensuring that a Calendar Spread does not trade more than \$.10 away from its intrinsic value.<sup>43</sup> MIAX states that an American-style option must be worth at least as much as its intrinsic value because the holder of the option can realize the intrinsic value by immediately exercising the option.<sup>44</sup> In a Calendar Spread strategy comprised of American-style options, other things being equal, the far month should be worth more than the near month due to its having a longer time to expiration and therefore a greater time value.<sup>45</sup> MIAX states that because European-style options may be exercised only on their expiration date, the relationship between the stock price, option price, and option strike price that exists for American-style options does not exist for European-style options.<sup>46</sup> Accordingly, MIAX states that the CSV Price Protection would be ineffective for strategies comprised of European-style options.<sup>47</sup>

#### SMAT Event

As described more fully in the Notice, MIAX Rule 518(a)(16) currently defines a SMAT Event as any one of the following: A MIAX Price Improvement Mechanism ("PRIME") Auction (pursuant to Exchange Rule 515A), a Route Timer (pursuant to Exchange Rule 529), or a liquidity refresh pause (pursuant to Exchange Rule 515(c)(2)).<sup>48</sup> If a SMAT Event exists during free trading for an option component of a complex strategy, trading in the complex strategy will be suspended.<sup>49</sup> MIAX notes that the temporary suspension of trading in complex orders during a SMAT Event is intended to enhance continuity, trade-through protection, and orderliness in the simple market and to protect complex order components from being executed at prices that could improve following a SMAT Event.<sup>50</sup> The proposal amends MIAX Rule 518(a)(16) to add the Liquidity Exposure Process, as described in MIAX Rule 515(c)(2), as a

<sup>42</sup> See proposed MIAX Rule 518, Interpretation and Policy .05(b)(3).

<sup>43</sup> See Notice, 83 FR at 59438.

<sup>44</sup> See *id.*

<sup>45</sup> See Amendment No. 1.

<sup>46</sup> See Notice, 83 FR at 59438.

<sup>47</sup> See *id.*

<sup>48</sup> See *id.*

<sup>49</sup> See MIAX Rule 518, Interpretations and Policies .05(e)(2)(i) and Notice, 83 FR at 59436.

<sup>50</sup> See *id.*

SMAT Event.<sup>51</sup> The Liquidity Exposure Process will apply to an order in a Proprietary Product that would be posted, managed, or would trade at a price more aggressive than the order's protected price.<sup>52</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b) of the Act.<sup>53</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>54</sup> which requires, among other things, that the rules of a national securities exchange be 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 mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that the cLEP Auction is designed to potentially benefit market participants by providing price improvement opportunities for complex orders and eQuotes that are priced more aggressively than their MPC Price. In addition, the Commission believes that Members' ability to submit cLEP Auction responses on either side of the market potentially could enhance liquidity in the cLEP Auction and provide execution opportunities for trading interest on both sides of the market.

The Commission believes that eliminating the Defined Time Period and allowing Members to initiate a single-sided Complex Auction at any time prior to the close could potentially provide price improvement opportunities for complex orders

<sup>51</sup> See *id.* at 59435–6. In addition to adding the Liquidity Exposure Process to MIA X Rule 518(a)(16), MIA X proposes to correct an internal cross reference in MIA X Rule 518(a)(16)(iii) to reflect changes included in the LEP Filing. See Notice, 83 FR at 59436.

<sup>52</sup> The term "Proprietary Product" means a class of options that is listed exclusively on the Exchange. See Notice, 83 FR at 59436. See also LEP Filing, *supra* note 8.

<sup>53</sup> 15 U.S.C. 78f(b). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>54</sup> 15 U.S.C. 78f(b)(5).

submitted within two seconds of the close. As noted above, MIA X represents that it has the system capacity and capability to conduct Complex Auctions and execute transactions that occur within two seconds of the close, and that it has surveillance in place to monitor conduct that violates MIA X's rules, including MIA X Rule 518, Interpretation and Policy .04, which prohibits a submitting Member from disseminating information with respect to Complex Auction-eligible orders to third parties.<sup>55</sup> MIA X states that a Member who initiates a Complex Auction will not forego the opportunity to trade with unrelated interest received during the Complex Auction because this interest is included in the Complex Auction.<sup>56</sup> The Commission notes that proposal does not modify the Auction Timer for MIA X's paired order cPRIME Auction, which will remain at 100 milliseconds.<sup>57</sup>

As noted above, MIA X states that the CSV Price Protection would be ineffective for Calendar Spreads comprised of European-style options because the relationship between the stock price, the option price, and the option strike price that exists for American-style options does not exist for European-style options.<sup>58</sup> Accordingly, the proposal limits the CSV Price Protection to strategies in American-style option classes. The Commission believes that applying the CSV Price Protection solely to Calendar Spreads comprised of American-style options is reasonable in that this price protection will be applied to orders for which it is meaningful to do so.

### IV. Solicitation of Comments on Amendment No. 1 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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–MIA X–2018–36 on the subject line.

<sup>55</sup> See notes 39–40, *supra*, and accompanying text.

<sup>56</sup> See note 38, *supra*, and accompanying text.

<sup>57</sup> See note 33, *supra*, and accompanying text.

<sup>58</sup> See notes 45–46, *supra*, and accompanying text.

#### 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–MIA X–2018–36. 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 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–MIA X–2018–36, and should be submitted on or before March 15, 2019.

### V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 1 in the **Federal Register**. As noted above, Amendment No. 1 revises the proposal to (1) clarify the rule describing the operation of the proposed cLEP Auction and provide an additional example demonstrating the operation of the proposed cLEP Auction; (2) provide additional rationale for eliminating the Defined Time Period for the Complex Auction and make representations regarding system capability and surveillance with respect to the Complex Auction, as modified by

the proposal; (3) indicate that the Auction Timer for MIAX's cPRIME Auction will remain at 100 milliseconds; and (4) clarify the discussion of the proposed change to the Calendar Spread Variance Price Protection. The Commission believes that Amendment No. 1 does not raise any novel regulatory issues. The Commission also believes that Amendment No. 1 provides additional clarity to the rule text and additional analysis and representations concerning several aspects of the proposal, thereby facilitating the Commission's ability to make the findings set forth above to approve the proposal. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>59</sup> to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

## VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>60</sup> that the proposed rule change (SR-MIAX-2018-36), as modified by Amendment No. 1, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>61</sup>

**Eduardo A. Aleman,**  
Deputy Secretary.

[FR Doc. 2019-03039 Filed 2-21-19; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85147; File No. SR-MIAX-2018-35]

### Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Amend Exchange Rule 100 (Definitions); Rule 515 (Execution of Orders and Quotes); and Rule 503 (Openings on the Exchange)

February 15, 2019.

#### I. Introduction

On November 9, 2018, Miami International Securities Exchange, LLC ("Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act

of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Exchange Rules 100 (Definitions), 515 (Execution of Orders and Quotes), and 503 (Openings on the Exchange). The proposed rule change was published for comment in the **Federal Register** on November 20, 2018.<sup>3</sup> On December 20, 2018, the Commission extended the time period for Commission action on the proposed rule change from January 4, 2019, to February 18, 2019.<sup>4</sup> The Commission received no comments on the proposal.

On February 13, 2019, the Exchange filed Amendment No. 1 to make a clarifying change to the proposal.<sup>5</sup> The Commission is publishing this notice to solicit comment on Amendment No. 1, and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

#### II. Description of the Proposal, as Modified by Amendment No. 1

As more fully set forth in the Notice and Amendment No. 1, the Exchange proposes to amend its rules to address how price protection will apply to non-multi listed option products that are proprietary to the Exchange. More specifically, the Exchange proposes to amend (i) Exchange Rule 100 (Definitions), to adopt definitions for the terms "Proprietary Product" and "Non-Proprietary Product;" (ii) Exchange Rule 515 (Execution of Orders and Quotes), to specify how the Exchange will provide price protection to eligible non-Market Orders for Proprietary Products; and (iii) Exchange Rule 503 (Openings on the Exchange), to specify how certain orders for Proprietary Products will be handled at the conclusion of the Opening Process.

The Exchange proposes to amend Exchange Rule 100 (Definitions), to adopt definitions for the terms "Proprietary Product" and "Non-Proprietary Product," to provide clarity and ease of reference in Exchange rules.<sup>6</sup> The proposed definition of a Proprietary Product is "a class of options that is listed exclusively on the

Exchange," and the proposed definition of a Non-Proprietary Product is "a class of options that is not a Proprietary Product."<sup>7</sup>

The Exchange further proposes to amend Exchange Rule 515 (Execution of Orders and Quotes). Currently, Rule 515(c)(1) describes a price protection process for certain non-Market Maker orders received during a trading session.<sup>8</sup> This price protection process prevents certain orders from being executed beyond the price designated in the order's price protection instructions (the "price protection limit"). When triggered, this price protection process will cancel an order or the remaining contracts of an order. The Exchange proposes to amend the heading of Rule 515(c)(1) to read "Price Protection on Non-Market Maker Orders in Non-Proprietary Products,"<sup>9</sup> and add new subsection (c)(2) to Exchange Rule 515 to address and distinguish how price protection would apply to Proprietary Products.

Proposed Exchange Rule 515(c)(2) would establish a price protection process for eligible non-Market Maker orders in Proprietary Products received during a regular trading session that are larger than, and priced through, the opposite side NBBO.<sup>10</sup> The proposed price protection process provides for exposure of such orders and a limited time (*i.e.*, a liquidity exposure period or "LEP") during which market participants may respond to provide liquidity, subject to certain parameters, in lieu of the Exchange canceling the order back to the Member. The price protection limit for applicable orders in Proprietary Products will be calculated by the System<sup>11</sup> as follows: By adding (subtracting) a set number of MPVs<sup>12</sup> if the order is a buy (sell) to: (i) The

<sup>7</sup> See proposed Exchange Rule 100 and *supra* note 5.

<sup>8</sup> See Exchange Rule 515(c)(1). This price protection process does not apply to Intermarket Sweep Orders ("ISO"), Immediate or Cancel ("IOC") orders, or Fill-or-Kill ("FOK") orders.

<sup>9</sup> See Notice, *supra* note 3, at 58634.

<sup>10</sup> The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100. The proposed new price protection process would apply to non-Market Maker orders in Proprietary Products, excluding ISOs and Auction or Cancel orders. See Notice, *supra* note 3, at 58634.

<sup>11</sup> The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

<sup>12</sup> The term "MPV" means Minimum Price Variation. See Exchange Rule 510. The number of MPVs will be determined by the Exchange and announced to Members through a Regulatory Circular, provided that the minimum shall be no less than two MPVs and the maximum shall be no more than twenty MPVs. See proposed Exchange Rule 515(c)(2).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 84589 (Nov. 14, 2018), 83 FR 58633 ("Notice").

<sup>4</sup> See Securities Exchange Act Release No. 84900 (December 20, 2018), 83 FR 67394 (December 28, 2018).

<sup>5</sup> In Amendment No. 1, the Exchange modified its proposal to clarify that the term "Proprietary Product" refers to an options product that is listed exclusively on the Exchange, and is not multiply listed. The full text of Amendment No. 1 has been placed in the public comment file for SR-MIAX-2018-35 and is available at: <https://www.sec.gov/rules/sro/miax.htm#SR-MIAX-2018-35>.

<sup>6</sup> See Notice, *supra* note 3, at 58634.

<sup>59</sup> 15 U.S.C. 78s(b)(2).

<sup>60</sup> 15 U.S.C. 78s(b)(2).

<sup>61</sup> 17 CFR 200.30-3(a)(12).