

original proposal, which was subject to a full notice and comment period during which no comments were received. The Commission also notes that Amendment No. 1 provides additional accuracy, clarity, and justification to the proposal. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>25</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>26</sup> that the proposed rule change (SR-NASDAQ-2019-064), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

Jill M. Peterson,  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87199; File No. SR-MIAX-2019-37]

### Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Order Approving a Proposed Rule Change To Amend Exchange Rule 518, Complex Orders, To Adopt New Interpretation and Policy .07, SPIKES Combo Orders

October 2, 2019.

## I. Introduction

On August 9, 2019, Miami International Securities Exchange, LLC (“MIAX” or “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 provide for the trading of SPIKES Combo Orders.<sup>3</sup> The proposed rule change was published for comment in the **Federal Register** on August 20,

2019.<sup>4</sup> The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

## II. Description of the Proposed Rule Change

The Exchange proposes to amend MIAX Rule 518, Complex Orders, to adopt new Interpretation and Policy .07 to provide for the trading of SPIKES Combo Orders. A SPIKES Combo Order is an order to purchase or sell one or more SPIKES option series and the offsetting number of SPIKES Combinations defined by the delta.<sup>5</sup> A SPIKES Combination is a purchase (sale) of a SPIKES call option and the sale (purchase) of a SPIKES put option having the same expiration date and strike price.<sup>6</sup> The delta is the positive (negative) number of SPIKES Combinations that must be sold (purchased) to establish a market neutral hedge with one or more SPIKES option series.<sup>7</sup>

Under the proposed rule, a SPIKES Combo Order may not have a ratio greater than eight options to one Spikes Combination.<sup>8</sup> In addition, a SPIKES Combo Order will be subject to all of the provisions in MIAX Rule 518 that are applicable to complex orders, other than the requirement that the component legs of a complex order have a ratio that is equal to or greater than one-to-three and less than or equal to three-to-one.<sup>9</sup> The proposal is designed

<sup>4</sup> See Securities Exchange Act Release No. 86682 (August 14, 2019), 84 FR 43212 (“Notice”).

<sup>5</sup> See proposed MIAX Rule 518, Interpretation and Policy .07(a)(3).

<sup>6</sup> See proposed MIAX Rule 518, Interpretation and Policy .07(a)(1).

<sup>7</sup> See proposed MIAX Rule 518, Interpretation and Policy .07(a)(2). The delta is a measure of the change in an option’s price resulting from a change in the underlying security. See Notice, 84 FR at 43212.

<sup>8</sup> See proposed MIAX Rule 518, Interpretation and Policy .07(a)(4). MIAX notes that its rules governing stock-option orders currently permit the trading of stock-option orders with an 8:1 ratio, where the ratio represents the number of option contracts to the underlying security. See Notice, 84 FR at 43214. See also MIAX Rule 518(a)(5) (defining stock-option order as an order to buy or sell a stated number of units of an underlying security (stock or Exchange Traded Fund Share) or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (i) the same number of units of the underlying security or convertible security, or (ii) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying security or convertible security (*i.e.*, contracts) in the option leg to the total number of units of the underlying security (*i.e.*, 100 shares) or convertible security in the stock leg).

<sup>9</sup> See proposed MIAX Rule 518, Interpretation and Policy .07(a)(4)(i). MIAX’s rules defines a

to facilitate delta neutral hedging for SPIKES options.<sup>10</sup> MIAX states that delta hedging aims to reduce the risk associated with price movements in the underlying asset.<sup>11</sup> MIAX notes that an options position may be delta hedged with other options<sup>12</sup> or with shares of the underlying stock.<sup>13</sup> Although SPIKES options, which are based on an index, do not have an underlying stock that may serve as a hedge, a SPIKES Combination Order creates a synthetic underlying position that is the functional equivalent of the stock leg of a stock-option order.<sup>14</sup> MIAX believes that permitting SPIKES Combo Orders with an 8:1 ratio will align the treatment of SPIKES Combo Orders with the treatment of stock-option orders and permit additional hedging opportunities.<sup>15</sup>

MIAX states that it has the system capacity and capability to handle the potential increase in transaction rates that could result from the trading of SPIKES Combo Orders.<sup>16</sup> In addition, MIAX states that it will have surveillance to monitor compliance with the Exchange’s rules, specifically as they pertain to delta neutral transactions.<sup>17</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,<sup>18</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>19</sup> In particular, the Commission finds that the proposed rule change is consistent with Section

complex order as 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. See MIAX Rule 518(a)(5).

<sup>10</sup> See Notice, 84 FR at 43214.

<sup>11</sup> See *id.* at 43213.

<sup>12</sup> For example, a call option with a delta of 0.50 could be hedged by a put option with a delta of -0.50, resulting in a position with a delta of zero. See *id.*

<sup>13</sup> See *id.*

<sup>14</sup> See *id.* at 43214.

<sup>15</sup> MIAX notes that market participants that transact in SPIKES options currently may submit complex orders that are delta neutral as long as the ratio for the component legs of the transaction conforms to the current 1:3/3:1 ratio applicable to complex orders. See *id.*

<sup>16</sup> See *id.* at 43215.

<sup>17</sup> See *id.*

<sup>18</sup> 15 U.S.C. 78f.

<sup>19</sup> 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>25</sup> 15 U.S.C. 78s(b)(2).

<sup>26</sup> *Id.*

<sup>27</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.

<sup>3</sup> SPIKES Combo Orders are comprised of multiple series of SPIKES™ Index (“SPIKES”) options. The SPIKES Index measures expected 30-day volatility of the SPDR S&P 500 ETF Trust (“SPY”). See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (File No. SR-MIAX-2018-14) (approving the listing and trading of SPIKES Index options).

6(b)(5) of the Act,<sup>20</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 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, and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission believes that the proposal will protect investors and the public interest by helping market participants to hedge positions in SPIKES options and execute delta neutral trading strategies involving SPIKES options. All of the provisions in MIAX Rule 518 that are applicable to complex orders will apply to SPIKES Combo Orders, other than the requirement that the component legs of a complex order have a ratio that is equal to or greater than one-to-three and less than or equal to three-to-one.<sup>21</sup> The Commission notes that permitting SPIKES Combo Orders to have a ratio of no more than eight options to one SPIKES Combination is consistent with the 8:1 ratio permitted for stock-option orders.<sup>22</sup> As noted above, a SPIKES Combination Order creates a synthetic underlying position that is the functional equivalent of the stock leg in stock-option orders,<sup>23</sup> and the SPIKES Combination hedges one or more SPIKES option series.<sup>24</sup> Finally, as discussed above, MIAX has represented that it has the system capacity to accommodate the trading of SPIKES Combo Orders as well as surveillance procedures to monitor compliance with its rules relating to delta neutral transactions.<sup>25</sup>

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>26</sup> that the proposed rule change (SR-MIAX-2019-37) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87179; File No. SR-NASDAQ-2019-075]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Further Delay Implementation of the Early Order Imbalance Indicator Functionality

October 1, 2019.

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> notice is hereby given that on September 17, 2019, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II 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 proposes to delay implementation of the Early Order Imbalance Indicator functionality until Q4 2019.

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaq.cchwallstreet.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 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

On February 27, 2019, the Exchange filed a proposed rule change to establish the Early Order Imbalance Indicator (“EOII”), which contains a subset of the information comprising the Net Order Imbalance Indicator (“NOII”) that the Exchange will disseminate ten minutes prior to the market close and five minutes prior to the cutoff time for entering Market on Close and certain Limit on Close Orders into the Nasdaq Closing Cross.<sup>3</sup> The proposed rule change indicated that the Exchange would implement EOII in Q2 2019.<sup>4</sup> The Exchange subsequently delayed the implementation of EOII functionality until Q3 2019.<sup>5</sup> The Exchange now proposes to further delay the implementation of EOII functionality until Q4 2019. The Exchange will issue an Equity Trader Alert notifying participants prior to implementing the functionality. The Exchange proposes this delay to allow the EOII to become effective at the same time as a pending change to enhance the closing process for the Exchange.<sup>6</sup> The delay will also afford additional time that Exchange participants have requested to prepare for the onset of EOII.

##### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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 by allowing the Exchange additional time to implement the EOII in conjunction with a related enhancement to the Closing Cross process. The delay would also afford participants the additional

<sup>3</sup> See Securities Exchange Act Release No. 34-85292 (Mar. 12, 2019), 84 FR 9848 (Mar. 18, 2019) (SR-NASDAQ-2019-010).

<sup>4</sup> See *id.* at 9850.

<sup>5</sup> See Securities Exchange Act Release No. 34-85745 (Apr. 29, 2019), 84 FR 19135 (May 3, 2019) (SR-NASDAQ-2019-032).

<sup>6</sup> See Securities Exchange Act Release No. 34-86642 (Aug. 13, 2019) (SR-NASDAQ-2019-064).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See proposed MIAX Rule 518(a)(4)(i).

<sup>22</sup> See note 8, *supra*.

<sup>23</sup> See Notice, 84 FR at 43214.

<sup>24</sup> See Policy MIAX Rule 518, Interpretation and Policy .07(a)(3).

<sup>25</sup> See *id.* at 43215.

<sup>26</sup> 15 U.S.C. 78s(b)(2).

<sup>27</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.