# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–74554; File No. SR–MIAX–2015–21]

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Fee Schedule

March 20, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b–4 thereunder,² notice is hereby given that on March 11, 2015, Miami International Securities Exchange, LLC ("MIAX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the 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 the MIAX Options Fee Schedule.

The text of the proposed rule change is available on the Exchange's Web site at <a href="http://www.miaxoptions.com/filter/wotitle/rule\_filing">http://www.miaxoptions.com/filter/wotitle/rule\_filing</a>, 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 its Fee Schedule to provide for additional incentives for achieving certain Priority Customer Rebate Program volume tiers and sending additional Priority Customer Orders into PRIME.

The Exchange proposes to offer Members the opportunity to qualify for a \$0.02 per contract rebate in standard options if the Member or its affiliates of at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A, qualifies in a given month for Priority Customer Rebate Program volume tiers 3, 4, or 5 in the Fee Schedule.3 Specifically, any Member or its affiliates of at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A, that qualifies for Priority Customer Rebate Program volume tiers 3, 4, or 5 will be credited an additional \$0.02 per contract for each Priority Customer order executed in the PRIME Auction as a PRIME Agency Order over a threshold of 1,500,000 contracts in a month. Volume will be recorded for and credits will be delivered to the Member Firm that submits the order to MIAX. The \$0.02 per contract credit would be in addition to the \$0.10 per contract credit that currently applies to the PRIME Agency Order transactions that are Priority Customers. The Exchange proposes to exclude from this additional rebate and its volume threshold calculation orders executed as minioptions, Priority Customer-to-Priority Customer Orders, PRIME AOC Responses, PRIME Contra-side Orders, PRIME Orders for which both the Agency and Contra-side Order are Priority Customers, and executions related to contracts that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan referenced in MIAX Rule 1400. The Exchange notes that these exclusions are identical to the exclusions that are currently found in the Priority Customer Rebate Program and that also apply to the per contract credit for PRIME Agency Orders.4

The Exchange believes that these incentives will encourage Members to transact a greater number of orders on the Exchange.

#### 2. Statutory Basis

The Exchange believes that its proposal to amend its fee schedule is consistent with Section 6(b) of the Act <sup>5</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act <sup>6</sup> in particular, in that it is an equitable allocation of

reasonable fees and other charges among Exchange members.

The Exchange believes that the proposed Priority Customer Rebate Program rebates for Priority Customer orders submitted into PRIME are fair, equitable and not unreasonably discriminatory. The rebate program is reasonably designed because it will incent providers of Priority Customer order flow to send that Priority Customer order flow to the Exchange in order to receive a credit in a manner that enables the Exchange to improve its overall competitiveness and strengthen its market quality for all market participants. The proposed rebate program is fair, equitable, and not unreasonably discriminatory because it will apply equally to all Priority Customer orders submitted as a PRIME Agency Order. All similarly situated Priority Customer orders are subject to the same rebate schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. In addition, the proposed rebate program is equitable and not unfairly discriminatory because, while only Priority Customer order flow qualifies for the rebate program, an increase in Priority Customer order flow will bring greater volume and liquidity, which benefit all market participants by providing more trading opportunities and tighter spreads. Market participants want to trade with Priority Customer order flow. To the extent Priority Customer order flow is increased by the proposal, market participants will increasingly compete for the opportunity to trade on the Exchange including sending more orders and providing narrower and larger sized quotations in the effort to trade with such Priority Customer order flow. The resulting increased volume and liquidity will benefit those Members who receive the lower tier levels, or do not qualify for the rebate program at all, by providing more trading opportunities and tighter spreads.

The Exchange believes excluding Priority Customer-to-Priority Customer Orders, Priority Customer responses, contra-side orders, and Priority Customer-to-Priority Customer PRIME transactions from the number of options contracts executed on the Exchange by any Member for purposes of the volume threshold and the rebate program is reasonable, equitable, and not unfairly discriminatory because participating Members could otherwise game the rebate program and volume thresholds by executing excess volumes in these types of transactions in which no transaction fees are charged on the Exchange. Further, the Exchange

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

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

 $<sup>^3\,</sup>See$  MIAX Options Fee Schedule, Section 1)a)iii).

<sup>&</sup>lt;sup>4</sup> See id.

<sup>&</sup>lt;sup>5</sup> 15 U.S.C. 78f(b).

<sup>6 15</sup> U.S.C. 78f(b)(4).

believes that excluding these PRIME transactions from the volume calculation is reasonable, equitable, and not unfairly discriminatory because the rebate program was established prior to the introduction of the PRIME Auction based on non-auction transaction fee and volume calculations. In contrast, the Exchange proposes to target new volume to the Exchange to compete with electronic price improvement mechanisms on other exchanges. The Exchange believes that the new rebate for Priority Customer agency orders in the PRIME Auction is reasonably designed to incentivize additional retail customer order flow to the PRIME Auction.

The Exchange believes that the proposal to allow the aggregation of trading activity of separate Members or its affiliates for purposes of the fee reduction is fair, equitable and not unreasonably discriminatory. The Exchange believes the proposed rule change is reasonable because it would allow aggregation of the trading activity of separate Members or its affiliates for purposes of the fee reduction only in very narrow circumstances, namely, where the firm is an affiliate, as defined herein. Furthermore, other exchanges, as well as MIAX, have rules that permit the aggregation of the trading activity of affiliated entities for the purposes of calculating and assessing certain fees.7 The Exchange believes that offering all such market participants the opportunity to lower transaction fees by incentivizing them to transact Priority Customer order flow in turn benefits all market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposal is consistent with robust competition by increasing the intermarket competition for order flow from market participants. To the extent that there is additional competitive burden on market participants without Priority Customer order flow and those market participants that are not able to aggregate order flow with affiliates, the Exchange believes that this is appropriate because the proposal should incent Members to direct additional order flow to the Exchange and thus provide additional liquidity that

enhances the quality of its markets and increases the volume of contracts traded here. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow. The Exchange believes that the proposal reflects this competitive environment.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(Å)(ii) of the Act.<sup>8</sup> 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. Please include File Number SR–MIAX–2015–21 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-2015-21. 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 such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MIAX-2015-21, and should be submitted on or before April 16, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

#### Brent J. Fields,

Secretary.

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<sup>&</sup>lt;sup>7</sup> See e.g., Chicago Board Options Exchange, Incorporated, Fee Schedule, p. 13; NYSE Amex Options Fee Schedule, p. 12.

<sup>8 15</sup> U.S.C. 78s(b)(3)(A)(ii).

<sup>9 17</sup> CFR 200.30-3(a)(12).