SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 515A, MIAX Price Improvement Mechanism (‘‘PRIME’’) and PRIME Solicitation Mechanism, and Rule 518, Complex Orders

November 1, 2018.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (‘‘Act’’) and Rule 19b–4 thereunder, notice hereby given that on October 24, 2018, Miami International Securities Exchange, LLC (‘‘MIAX Options’’ or the ‘‘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 Rule 515A, MIAX Price Improvement Mechanism (‘‘PRIME’’) and PRIME Solicitation Mechanism, and Rule 518, Complex Orders [sic] 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.

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 515A, MIAX Price Improvement Mechanism (‘‘PRIME’’) and PRIME Solicitation Mechanism, Interpretations and Policies .12, to clarify and organize existing rule text for ease of reference and to adopt new rule text to describe additional scenarios which cause a cPRIME Auction 3 to terminate early. The Exchange also proposes to amend Rule 518, Interpretations and Policies .05(f), to add additional detail pertaining to the operation of the Complex MIAX Price Collar (‘‘MPC’’), specifically to adopt new rule text for the use of a Temporary MIAX Price Collar (‘‘TMPC’’) during a cPRIME Auction or Complex Auction in the limited instance when an MPC has not been assigned. The Exchange notes that its proposal does not introduce any new functionality and is designed to codify existing functionality to add additional detail and clarity to the Exchange’s rules.

The Exchange proposes to amend Rule 515A, Interpretations and Policies .12, PRIME for Complex Orders. The current rule provides that, ‘‘. . . the provisions of Rule 515A(a) . . . shall be applicable to the trading of complex orders (as defined in Rule 518) on PRIME. The Exchange will determine, on a class-by-class basis, the option classes in which complex orders are available for trading on PRIME on the Exchange, and will announce such classes to Members 5 via Regulatory Circular.’’ The Exchange now proposes to replace the word ‘‘on’’ which precedes ‘‘PRIME’’ with the phrase ‘‘in the’’ to more accurately describe Exchange functionality and maintain consistency with how the functionality is described in other areas of the rule.6

The Exchange also proposes to amend Rule 515A, Interpretations and Policies .12(d), to organize the rule for clarity

3 Members may use PRIME to execute complex orders at a net price. “cPRIME” is the process by which a Member may electronically submit a cPRIME Order (as defined in Rule 518(b)(7)) if it represents as agent (a ‘‘cPRIME Agency Order’’) against principal or solicited interest for execution (a ‘‘cPRIME Auction’’). See Exchange Rule 515A, Interpretations and Policies .12(a).
4 See Exchange Rule 518(d).
5 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.
6 See Exchange Rule 515A.01, 515A.03, 515A.04, and 515A.05, which references usage of “the PRIME.”

and ease of reference and to codify two additional scenarios to new proposed subsections (d)(vi) and (d)(vii) describing conditions which will terminate a cPRIME Auction. Specifically, the Exchange proposes to consolidate current subsection (d)(v) and current subsection (d)(vi) into new subsection (d)(v). Current subsection (d)(v) provides that a cPRIME Auction will terminate if, “a simple order or quote in a component of the strategy on the same side of the market as the cPRIME Agency Order locks or crosses the NBBO for such component.” Current subsection (d)(v) similarly provides that a cPRIME Auction will terminate if, “a simple order or quote in a component of the strategy on the opposite side of the market as the cPRIME Agency Order: (A) locks or crosses the NBBO for such component. . . .” The Exchange now proposes to combine subsection (d)(v) and (d)(vi) into a single rule under new subsection (d)(v) that provides that a cPRIME Auction will terminate if, “a simple order or quote in a component of the strategy on either side of the market as the cPRIME Agency Order locks or crosses the NBBO for such component.” The proposed change simplifies the rule text and clarifies two similar scenarios that will terminate a cPRIME Auction when interest is received on either side of the market as the cPRIME Agency Order. The Exchange believes that the proposed changes promote the protection of investors and the public interest by improving the accuracy and precision of the Exchange’s rules.

Additionally, the Exchange proposes to add new subsections (d)(vi) and (d)(vii) to include additional scenarios that will cause a cPRIME Auction to terminate when interest is received on the same or opposite side of the market, respectively, as the cPRIME Agency Order. Specifically, proposed subsection (d)(vi) will provide that a cPRIME Auction shall conclude at the earlier of the end of the RFR period, or when, “a simple order or quote in a component of the strategy, eligible to rest on the Simple Order Book, is received on the same side of the market as the cPRIME Agency Order and causes the icMBBO to lock or cross the best price opposite the cPRIME Agency Order.” This provision ensures that a cPRIME Agency Order will always receive the best price on the Exchange while simultaneously preserving the integrity of the simple market by preventing orders executed in a cPRIME Auction from possibly trading through the Exchange’s simple market. An example of this scenario is illustrated below.

**Example 1—A Simple Order or Quote on the Same Side as the Agency Order Causes the icMBBO to Equal the Best Price Opposite the Agency Order**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Price</th>
<th>Order Type</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIA--LMM</td>
<td>2.95</td>
<td>100</td>
<td>2.95 credit sell of 100 arrives</td>
</tr>
</tbody>
</table>

A calculation that uses the best price from the Simple Order Book for each component of a complex strategy including displayed and non-displayed trading interest. See Exchange Rule 518(a)(11).  
11 The best price for an Agency Order to buy (sell) is the lowest offer (highest bid) on the Exchange, comprised of all available interest.  
12 The term “Lead Market Maker” means a Member registered with the Exchange for the purposes of making markets in securities traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter VI of the Exchange’s Rules with respect to Lead Market Makers. See Exchange Rule 100.  
14 A Complex Auction or Cancel or “CACO” 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. CACO orders are not displayed to any market participant, and are not eligible for trading outside of the event. See Exchange Rule 518(b)(1).  
16 The “Response Time Interval” means the period of time during which responses to the RFR may be entered. See Exchange Rule 518(d)(3).  
17 The “Response Time Interval” means the period of time during which responses to the RFR may be entered. See Exchange Rule 518(d)(3).
• 850 milliseconds MM1 response, cAOc eQuote @2.98 credit sell of 500 arrives

The cPRIME Auction process will continue until the Response Time Interval ends or an event eligible to cause the cPRIME Auction to end sooner occurs.

• 875 milliseconds a simple order offer to sell 10 MAR 50 Calls @5.90 arrives.

The icMBBO is now 2.50 debit bid and 3.00 credit offer. Since the offer side of the icMBBO is now equal to the initiating price, the cPRIME Auction is concluded prior to the end of the Response Time Interval.

The cPRIME Auction process will trade the cPRIME Agency Order with the best priced responses. The cPRIME Agency order will be filled as follows:

• The cPRIME Agency Order buys 100 from BD 1 @2.95
• The cPRIME Agency Order buys 400 from MM1 @2.98

The Exchange believes that terminating a cPRIME Auction when these conditions are present ensures that the execution of the cPRIME Agency Order improves the best price on the Exchange at the time of receipt, and that there is no interference between the simple and complex markets. (The System will reject cPRIME Agency Orders submitted with an initiating price that is equal to or worse than (outside) the icMBBO or any other complex orders on the Strategy Book.)

This provision ensures that a cPRIME Agency Order will always receive the best price on the Exchange while simultaneously preserving the integrity of the simple market by preventing orders executed in a cPRIME Auction from possibly trading through the Exchange’s simple market. The Exchange believes that including these scenarios in the rules will provide additional detail concerning the operation of cPRIME Auctions and the conditions which will terminate a cPRIME Auction. The Exchange believes that the proposed changes will provide greater clarity to Members and the public regarding the Exchange’s Rules, and it is in the public interest for rules to be accurate and concise so as to minimize the potential for confusion.

The Exchange also proposes to amend Rule 518, Interpretations and Policies .05, to add additional detail to the rule regarding the establishment of the MIAX Price Collar (“MPC”) under various circumstances. The MPC is a price protection feature designed to help maintain a fair and orderly market by helping to mitigate the potential risk of executions at prices that are extreme and potentially erroneous. The MPC prevents complex orders from automatically executing at potentially erroneous prices by establishing a price range outside of which a complex order will not be executed.

The Exchange now proposes to amend Rule 518, Interpretations and Policies .05, by removing current subsection (f)(3) and replacing it with new proposed subsections (f)(3), (f)(4) and (f)(5), current subsection (f)(4) will remain intact and become new subsection (f)(6), and current subsection (f)(5) will remain intact and become new subsection (f)(7). New subsection (f)(3) will provide that, “[t]he 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.”

New subsection (f)(5) will provide that, “[a] Temporary MPC Price (‘TMPC Price’) is established solely for use during a Complex Auction (as defined in Rule 518(d)) or a cPRIME Auction (as defined in Rule 515A, Interpretations and Policies .12) for (i) any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or a cPRIME Auction in that strategy; or (ii) any complex order or eQuote received during a cPRIME Auction as if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction.

An example of the TMPC Price being established and used is provided below.

Example 3—A TMPC Price Is Established for an Order or eQuote Received During a cPRIME Auction

MIAX—LMM Mar 50 Call 1.00–6.50 (10x10) (Wide Market)
MIAX—LMM Mar 55 Call 2.90–3.30 (10x10)
ABBO—Mar 50 Call 6.00–6.30 (10x10)
ABBO—Mar 55 Call 3.00–3.30 (10x10)
NBBO—Mar 50 Call 6.00–6.30 (10x10)
NBBO—Mar 55 Call 3.00–3.30 (10x20)
Strategy: Buy 1 Mar 50 Call, Sell 1 Mar 55 Call

The eNBBO is 2.70 debit bid and 3.30 credit offer. The MPC Setting is $.25. The Exchange receives a cPRIME Order with the cPRIME Agency Order representing the purchase of the Strategy at a net debit of 3.00, 500 times. Auto-match is not enabled and there are no orders for the Strategy on the Strategy Book.

A TMPC Price will be calculated for use during the length of the auction for any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or cPRIME Auction in that strategy, or any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction.

The following responses are received:

21 The auction start price for a cPRIME Auction is the initiating price of a cPRIME Agency Order as described in Exchange Rule 515A.12(a)(i). The auction start price for a Complex Auction is the initiating order’s limit price as described in Exchange Rule 518(d)(1).

22 See Exchange Rule 518.05(f)(2). The Exchange notes the current setting is $.25.
The Exchange believes that amending the rule to codify the use of a TMPC Price, which is applicable only in the limited circumstance when an MPC has not been assigned, and exists only for the duration of a Complex Auction or cPRIME Auction, adds additional detail to the Exchange’s rules and provides greater transparency of Exchange functionality. The use of a TMPC Price provides protection for orders that participate in either a Complex Auction or a cPRIME Auction when the order does not have an assigned MPC Price as described above. This price protection ensures that orders are not executed at potentially erroneous prices during the auction. The Exchange believes that the proposed changes promote the protection of investors and the public interest by providing greater clarity and specificity of Exchange functionality, and it is in the public interest for the Exchange’s rules to be accurate and concise so as to minimize the potential for confusion.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act °24 in general, and furthers the objectives of Section 6(b)(5) of the Act °25 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.

The Exchange believes the proposed changes promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because they seek to add additional detail to, and improve the accuracy of, the Exchange’s rules. In particular, the Exchange believes that the proposed rule changes will provide clarity and transparency of the Exchange’s rules to Members and the public, and it is in the public interest for rules to be accurate and concise so as to minimize the potential for confusion.

Additionally, the Exchange believes that including additional scenarios which will terminate a cPRIME Auction promotes just and equitable principles of trade and removes impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality. This provision ensures that a cPRIME Agency Order will always receive the best price on the Exchange while simultaneously preserving the integrity of the simple market.

Further, the Exchange believes that providing a TMPC Price during a Complex Auction or a cPRIME Auction protects investors against executions at potentially erroneous prices. Additionally, the Exchange believes that adding additional detail to the Exchange’s rules regarding the operation of MIAX Options Price Collars, and including the method of calculating a TMPC Price for the limited circumstances when one is used, promotes just and equitable principles of trade and removes impediments to a free and open market by providing greater transparency concerning the operation of Exchange functionality.

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

MIAX Options 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. The Exchange’s proposal is not designed to address any competitive issues. As discussed above the proposal is designed to make minor non substantive corrections to the rule text and to organize rule text in a fashion that makes it easier to read and understand. The changes to the Exchange rules concerning the use of a TMPC Price, and the addition of new scenarios which will terminate a cPRIME Auction, are designed to add additional detail to the rules to further clarify the operation of Exchange functionality and to minimize the potential for confusion.

Additionally, the Exchange does not believe the proposed rule change will impose any burden on intra-market competition as the Rules apply equally to all Members of the Exchange.

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 °26 and Rule 19b–4(f)(6) °27 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. Please include File Number SR–MIAX–2018–27 on the subject line.

°27 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.
SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To List and Trade Shares of the Principal Morley Short Duration Index ETF Under Rule 14.11(c)(4)

November 1, 2018.

On April 23, 2018, Cboe BZX Exchange, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b–4 thereunder,2 a proposed rule change to list and trade shares of the Principal Morley Short Duration Index ETF. The proposed rule change was published for comment in the Federal Register on May 8, 2018.3 On June 20, 2018, the Commission designated August 6, 2018 as the date by which to approve or disapprove the proposed rule change.4 On August 3, 2018, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act5 to determine whether to approve or disapprove the proposed rule change.6 The Commission has received one comment letter on the proposed rule change.7 Section 19(b)(2) of the Act8 provides that, after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change. The Commission may extend the period for issuing an order approving or disapproving the proposed rule change, however, by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and comment in the Federal Register on May 8, 2018. November 4, 2018, is 180 days from that date, and January 3, 2019, is 240 days from that date.

The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider this proposed rule change. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,9 designates January 3, 2019, as the date by which the Commission shall either approve or disapprove the proposed rule change (File No. SR–CboeBZX–2018–018).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.10

Eduardo A. Aleman, Assistant Secretary.

[FR Doc. 2018–24404 Filed 11–5–18; 11:15 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings


PREVIOUSLY ANNOUNCED TIME AND DATE OF THE MEETING: Tuesday, November 6, 2018.

CHANGES IN THE MEETING: The following matter will also be considered during the 1:30 p.m. Closed Meeting scheduled for Tuesday, November 6, 2018:

Report on an examination

CONTACT PERSON FOR MORE INFORMATION: For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact the Office of the Secretary at (202) 551–5400.

Dated: November 2, 2018.

Brent J. Fields,
Secretary.

[FR Doc. 2018–24404 Filed 11–5–18; 11:15 am]

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4 See Securities Exchange Act Release No. 83775, 83 FR 39486 (August 9, 2018). The Commission instituted proceedings to allow for additional analysis of the proposed rule change’s consistency with Section 6(b)(5) of the Act, 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, and to protect investors and the public interest.” See id. at 39487.
8 Id.