SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69166; File No. SR–MIAX–2013–10]

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Permit the Minimum Price Variation for Mini-Option Contracts To Be the Same as Permitted for Standard Options on the Same Underlying Security

March 18, 2013.

Pursuant to the provisions of 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 15, 2013, Miami International Securities Exchange LLC (''MIAX'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') a 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 is filing a proposal to permit the minimum price variation for mini-option contracts that deliver 10 shares to be the same as permitted for standard options that deliver 100 shares on the same security.

The text of the proposed rule change is provided in *Exhibit 5.* The text of the proposed rule change is also available on the Exchange's Web site at *http://www.miaxoptions.com/filter/wotitle/rule_filing,* 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.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

MIAX recently amended its rules to allow for the listing of mini-options that deliver 10 physical shares on SPDR S&P 500 (''SPY''), Apple, Inc. (''AAPL''), SPDR Gold Trust (''GLD''), Google Inc. (''GOOG'') and Amazon.com Inc. (''AMZN'').[3] Mini-options trading is expected to commence in March 2013. Prior to the commencement of trading mini-options, the Exchange proposes to establish and permit the minimum price variation for mini-option contracts to be the same as permitted for standard options on the same security. In addition to giving market participants clarity as to the minimum pricing increments for mini-options, the filing would harmonize penny pricing between mini-options and standard options on the same security.

Of the five securities on which mini-options are permitted, four of them (SPY, AAPL, GLD and AMZN) participate in the Penny Pilot Program. Under the Penny Pilot Program:

- The minimum price variation for AAPL, GLD and AMZN options is $0.01 for all quotations in series that are quoted at less than $3 per contract and $0.05 for all quotations in series that are quoted at $3 per contract or greater; and
- The minimum price variation for SPY options is $0.01 for all quotations in all series.

Another options exchange, as stated in a recent rule filing, has polled firms with customer bases of potential product users and they have indicated a preference that premium pricing for mini-options match what is currently permitted for standard options that deliver 100 physical shares on the same securities.[4] Specifically, firms' systems are configured using the ''root symbol'' of an underlying security and cannot differentiate, for purposes of minimum variation pricing, between contracts on the same security. Mini-options will be loaded into firms' systems using the same ''root symbol'' that is used for standard options on the same security. As a result, it is believed that existing systems will not be able to assign different minimum pricing variations to different contracts on the same security. As a result, firms have indicated their preference that there be matched pricing between mini-options and standard options on the same security because their systems, which are programmed using ''root symbols,'' would not be able to assign different minimum pricing variations to mini-options and standard options on the same security.

Because mini-options are a separate class from standard options on the same security, mini-options would have to qualify separately for entry into the Penny Pilot Program. This, however, is not possible by product launch (or possibly ever) for a number of reasons. First, there is a six calendar month trading volume criteria for entry into the Penny Pilot Program, which mini-options cannot satisfy prior to launch. Second, even if mini-options met the trading volume criteria, replacement classes are only added to the Penny Pilot Program on the second trading day following January 1 and July 1 in a given year. Finally, there is a price test for entry into the Penny Pilot Program which excludes ''high premium'' classes, which are defined as classes priced at $200 per share or higher at the time of selection. As of the date of this filing, three of the five securities (AAPL, AMZN and GOOG) eligible for mini-options would be excluded as ''high premium'' classes, even though two of those securities (AAPL and AMZN) are in the Penny Pilot Program for standard options. The Exchange notes that GOOG is not in the Penny Pilot Program.[5]

The Exchange, therefore, is proposing to establish a pricing regime for mini-options separate from the Penny Pilot Program that permits the minimum price variation for mini-option contracts to be the same as permitted for standard options on the same security, which would encompass penny pricing for mini-option contracts on securities that participate in the Penny Pilot Program.[6]

As to the Penny Pilot Program, the Exchange believes that there are several good reasons to allow penny pricing for

[3] *See* Securities Exchange Act Release No. 34–69136 (March 14, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to List and Trade Option Contracts Overlying 10 Shares of Certain Securities) (SR–MIAX–2013–06).

[4] *See* Securities Exchange Act Release No. 34–68873 (February 8, 2013), 78 FR 10671 (February 14, 2013) (Notice of Filing Proposed Rule Change To Permit the Minimum Price Variation for Mini-Options To Be the Same as Permitted for Standard Options on the Same Security) (SR–CBOE–2013–016).

[5] The minimum price variation for standard options on GOOG is $0.05 for all quotations in series that are quoted at less than $3 per contract and $0.10 for all quotations in series that are quoted at $3 per contract or greater. *See* MIAX Rule 510(a).

[6] As noted in the Exchange's original mini-option filing, mini-options are limited to five securities and any expansion of the program would require that a subsequent proposed rule change be submitted to the Commission. The current proposal is limited to the five securities originally approved to underlie mini-options. The Exchange anticipates that a similar minimum pricing variation regime would be included in any rule change to expand the mini-option program.

mini-options on securities that currently participate in the Penny Pilot Program, without requiring mini-options to separately qualify for the Penny Pilot Program. First, the Penny Pilot Program applies to the most actively-traded, multiply-listed option classes. Likewise, the five securities which may underlie mini-options were chosen because of the significant liquidity in standard options on the same security. The Exchange also believes that the marketplace and investors will be expecting the minimum price variation for contracts on the same security to be the same. Second, one of the primary goals of the Penny Pilot Program is to narrow the bid-ask spreads of exchange-traded options to reduce the cost of entering and exiting positions. This same goal can similarly be accomplished by permitting penny pricing for mini-option contracts on securities that already participate in the Penny Pilot Program. Finally, the Exchange believes that penny pricing for mini-options is desirable for a product that is geared toward retail investors. Mini-options are on high priced securities and are meant to be an investment tool with more affordable and realistic prices for the average retail investor. Penny pricing for mini-options on securities that are currently in the Penny Pilot Program would benefit the anticipated users of mini-options by providing more price points. The Exchange notes that it is not requesting penny pricing for all of the five securities eligible for mini-options trading; but rather is seeking to permit matched penny pricing for mini-options on those securities for which standard options already trade in pennies.

In addition to an expressed market preference for matched minimum increment pricing (including penny pricing) between mini-options and standard options on the same securities, the Exchange believes that the rules of another options exchange, Chicago Board of Options Exchange (''CBOE''), has established precedent for the current proposal. Specifically, CBOE Rule 6.42.03 provides, among other things, that matched penny pricing between SPY and Mini-S&P 500 Index (''XSP'') options is permitted. As to SPY and XSP options, the rationale for matched pricing was that the underlying SPY ETF is designed to track the performance of the S&P 500 Index and XSP options are options based on the S&P 500 Index.[7] In support of this earlier filing, CBOE asserted that having the same minimum price variation for SPY and XSP options was necessary for consistency and for competitive reasons.

To effect the current proposed rule changes, MIAX proposes to amend MIAX Rules 510 and 404. As to MIAX Rule 510 (Minimum Price Variations and Minimum Trading Increments), MIAX proposes adding new Interpretation and Policy .02 that would be an internal cross reference to new proposed Interpretation and Policy .08(d) to MIAX Rule 404 as the provision that sets forth the minimum price variation for bids and offers for mini-options. Proposed Interpretation and Policy .8(d) to MIAX Rule 404 would provide as follows:

> The minimum price variation for bids and offers for mini-options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, mini options on the same underlying security may be quoted in the same minimum increments, *e.g.,* $0.01 for all quotations in series that are quoted at less than $3 per contract and $0.05 for all quotations in series that are quoted at $3 per contract or greater, $0.01 for all SPY option series, and mini-options do not separately need to qualify for the Penny Pilot Program.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with this proposal. The Exchange does not believe that this increased traffic will become unmanageable since mini-options are limited to a fixed number of underlying securities.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act[8] in general, and furthers the objectives of Section 6(b)(5) of the Act[9] 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, and it is not designed to permit unfair discrimination among customers, brokers, or dealers.

Specifically, the Exchange believes that investors and other market participants would benefit from the current rule proposal because it would clarify and establish the minimum price variation for mini-options prior to the commencement of trading. The Exchange believes that the marketplace and investors will be expecting the minimum price variation for contracts on the same security to be the same. As a result, the Exchange believes that this change would lessen investor and marketplace confusion because mini-options and standard options on the same security would have the same minimum price variation.

While price protection between mini-options and standard options on the same security is not required, the Exchange believes that consistency between mini-options and standard options as to the minimum price variation is desirable and is designed to promote just and equitable principles of trade. Matching the minimum price variation between mini-options and standard options on the same security would help to eliminate any unnecessary arbitrage opportunities that could result from having contracts on the same underlying security traded in different minimum price increments. Similarly, matched minimum pricing would hopefully generate enhanced competition among liquidity providers. The Exchange believes that matched pricing for mini-options and standard options on the same security would attract additional liquidity providers who would make markets in mini-options and standard options on the same security. In addition to the possibility of more liquidity providers, the Exchange believes that the ability to quote mini-options and standard options on the same security in the same minimum increments would hopefully result in more efficient pricing via arbitrage and possible price improvement in both contracts on the same security. The Exchange also believes that allowing penny pricing for mini-options on securities that currently participate in the Penny Pilot Program (without mini-options having to qualify separately for entry into the Penny Pilot Program) will benefit the marketplace and investors because penny pricing in mini-options may also accomplish one of the primary goals of the Penny Pilot Program, which is to narrow the bid-ask spreads of exchange-traded options to reduce the cost of entering and exiting positions. Finally, the proposed rule would be beneficial from a logistical perspective since firms' existing systems

[7] *See* Securities Exchange Act Release No. 56565 (September 27, 2007), 72 FR 56403 (October 3, 2007) (Order Granting Approval to a Proposed Rule Change Regarding the Extension and Expansion of the Penny Pilot Program) (SR–CBOE–2007–98).

[8] 15 U.S.C. 78f(b).

[9] 15 U.S.C. 78f(b)(5).

are configured using the ''root symbol'' of an underlying security and would not be able to assign different minimum pricing variations to mini-options and standard options on the same security.

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. Specifically, since mini-options are permitted on multiply-listed classes, other exchanges that have received approval to trade mini-options will have the opportunity to similarly establish the minimum price variation for mini-options prior to the anticipated launch in March 2013. MIAX also believes that the proposed rule change will enhance competition by allowing products on the same security to be priced in the same minimum price increments.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[10] and Rule 19b–4(f)(6) thereunder.[11]

A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b–4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposed rule change may coincide with the anticipated launch of trading in Mini Options. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.[12] Waiver of the operative delay will allow the Exchange to implement its proposal consistent with the commencement of trading in Mini Options as scheduled and expected by members and other participants on March 18, 2013. For these reasons, the Commission designates the proposed rule change as operative upon filing.

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.

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–2013–10 on the subject line.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–MIAX–2013–10. 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–2013–10 and should be submitted on or before April 15, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Kevin M. O'Neill,

Deputy Secretary.

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[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of 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 Commission has waived the five-day prefiling requirement in this case.

[12] For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69161; File No. SR–NYSEArca–2013–26]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Certain Rules To Accommodate the Trading of Option Contracts Overlying 10 Shares of Certain Securities

March 18, 2013.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (''Act''),[2] and Rule 19b–4 thereunder,[3] notice is hereby given that on March 15, 2013, NYSE Arca, Inc. (''NYSE Arca'' or ''Exchange'') filed with the Securities and Exchange Commission (''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.

[1] 15 U.S.C. 78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.