

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-ISE-2018-90 and should be submitted on or before December 11, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84584; File No. SR-MIAX-2018-28]

### Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 406, Long-Term Option Contracts

November 14, 2018.

Pursuant to the provisions of 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 November 8, 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 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 amend Rule 406, Long-Term Option Contracts.

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 MIAX Options Rule 406, Long-Term Option Contracts, to permit the listing and trading of up to ten (10) long-term expiration months for long term options on the SPDR® S&P 500® exchange-traded fund ("SPY") in response to customer demand.<sup>3</sup> Rule 406(a) currently provides that the Exchange may list long-term option contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed ("long-term expiration months") until expiration. There may be up to six (6) long-term expiration months per option class.<sup>4</sup> The proposal will add liquidity to the SPY options market by allowing market participants to hedge risks relating to SPY positions over a

<sup>3</sup> In contrast to Rule 406(a), Exchange Rule 1809(b) which applies to index options permits the Exchange to list long-term index options series based on either the full or reduced value of the underlying index, adding up to ten (10) expiration months. The Exchange seeks to list ten (10) long-term expiration months on SPY, just as it now may list ten (10) expiration months on long-term index options series, in order to provide investors with a wider choice of investments.

<sup>4</sup> Strike price interval (Rule 404), bid/ask differential (Rule 603(b)(4)) and continuous quoting (Rule 604(e)(2) and (3)) rules shall not apply to such options series until the time to expiration is less than nine (9) months.

longer period with a known and limited cost.

The SPY options market today is characterized by its tremendous daily and annual liquidity. As a consequence the Exchange believes that the listing of additional SPY long-term expiration months would be well received by investors. This proposal to expand the number of permitted SPY long-term expiration months would not apply to long-term expiration months on any other class of options.<sup>5</sup>

The Exchange proposes to implement the proposed rule change on November 16, 2018.

###### 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>7</sup> 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>8</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change offers market participants additional long-term expiration months on SPY options for their investment and risk management purposes. The proposal is intended simply to provide additional trading opportunities which have been requested by customers, thereby facilitating transactions in options and contributing to the protection of investors and the maintenance of fair and orderly markets. The proposed rule change responds to the continuing needs of market participants, particularly portfolio managers and other institutional customers, by providing protection from long-term market moves and by offering an alternative to hedging portfolios with future positions or off-exchange customized derivative instruments.

<sup>5</sup> Historically, SPY is the largest and most actively traded ETF in the United States as measured by its assets under management and the value of shares traded.

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

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> *Id.*

<sup>32</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.

Rule 406 has permitted up to six (6) long-term expiration months in option classes since the launch of the Exchange, in 2012. Other exchanges, such as Nasdaq PHLX LLC (“Phlx”), have permitted up to six “LEAPS” since 1991, when it increased the number of permissible expiration months from four to six. As noted by Phlx (in its recent proposal to permit up to ten LEAPS expiration months for options on SPY), when the Commission approved the increase to six expiration months, the Commission stated that it did not believe that increasing the number of expiration months to six would cause, by itself, a proliferation of expiration months. The Commission also required that Phlx monitor the volume of additional options series listed as a result of the rule change, and the effect on Phlx’s system capacity and quotation dissemination displays.<sup>9</sup> MIAX Options believes that the addition today of four (4) additional long-term expiration months on SPY options likewise does not represent a proliferation of expiration months, but is instead a very modest expansion of long-term options in response to stated customer demand. Significantly, the proposal would feature new long-term expiration months in only a single class of options that are very liquid and heavily traded, as discussed above. Additionally, the Exchange notes by way of precedent, that ten (10) expiration months are already permitted for long-term index options series. Further, the Exchange has the necessary systems capacity to support the new SPY long-term expiration months.

#### *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 proposal merely provides investors additional investment and risk management opportunities by providing flexibility to the Exchange to list additional long-term options expiration series, expanding the number of SPY long-term expiration months offered on the Exchange from six (6) long-term expiration months to ten (10) long-term expiration months.

<sup>9</sup> See Securities Exchange Act Release No. 84449 (October 18, 2018), 83 FR 53699 (October 24, 2018) (SR–Phlx–2018–64). See also Securities Exchange Act Release No. 29103 (April 18, 1991), 56 FR 19132 (April 25, 1991) (approving SR–Phlx–91–18).

#### *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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b–4(f)(6) thereunder.<sup>11</sup>

A proposed rule change filed under Rule 19b–4(f)(6)<sup>12</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b–4(f)(6)(iii),<sup>13</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative on November 16, 2018, to coincide with the effective date of Phlx’s proposed rule change on which the proposal is based.<sup>14</sup> The Exchange’s proposal would conform the Exchange’s rules relating to permitted number of long-term expiration months on SPY options to those of Phlx. Accordingly, the Commission believes that the proposal raises no new or novel regulatory issues and waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission therefore waives the 30-day operative delay and designates the proposal operative on November 16, 2018.<sup>15</sup>

At any time within 60 days of the filing of the proposed rule change, the

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b–4. In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to give the Commission 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 Exchange has satisfied this requirement.

<sup>12</sup> 17 CFR 240.19b–4(f)(6).

<sup>13</sup> 17 CFR 240.19b–4(f)(6)(iii).

<sup>14</sup> See Securities Exchange Act Release No. 84449 (October 18, 2018), 83 FR 53699 (October 24, 2018) (SR–Phlx–2018–64).

<sup>15</sup> 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).

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](mailto:rule-comments@sec.gov). Please include File Number SR–MIAX–2018–28 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–2018–28. 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–MIAX–2018–28 and should

be submitted on or before December 11, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84581; File No. SR–GEMX–2018–37]

### Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Rules Related to Market Maker Quoting Obligations

November 14, 2018.

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 October 30, 2018, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (“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 proposes to amend its rules related to Market Maker (*i.e.*, Primary Market Maker and Competitive Market Maker) quoting obligations.

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

The purpose of the proposed rule change is to amend Rule 804(e) to provide greater detail regarding the quoting obligations of Market Makers and the manner in which they are calculated, and to restructure the current rules to conform to rule text used on its affiliated options market, Nasdaq Phlx (“Phlx”).<sup>3</sup> The Exchange seeks to make conforming changes to Rule 804(e) to promote structural consistency of the Exchange’s rules with those of its affiliated options markets, and to allow its members to quickly compare quoting obligations across the Nasdaq, Inc. affiliated options markets.<sup>4</sup> The Exchange notes that it is generally including additional detail in its rules on the existing obligations and process using the same format as Phlx Rule 1081(c). Other than one modification to allow the Exchange to announce in advance a higher percentage of quoting compliance standards as further described below, no changes to the current practice or to the current quoting obligations are being contemplated by this rule change. Accordingly, to the extent there are other differences between the proposed rule text and the current language, the Exchange is in those cases either conforming to Phlx Rule 1081(c) or codifying current practice explicitly within the proposed rule, as further discussed below.

##### Rule 804(e)

The Exchange first proposes to remove the word “continuous” from the title of Rule 804(e) and retitle the Rule as “Intra-day Quotes.” The Exchange is replacing the word “continuous” with “intra-day” because the Exchange notes that Market Makers quote a percentage of the day and therefore the word “continuous” may not accurately reflect the manner in which Market Makers quote on GEMX. The Exchange also proposes related changes to replace the word “continuous” with “intra-day” within the Rulebook, specifically in

<sup>3</sup> See Phlx Rule 1081(c). See also Securities Exchange Act Release No. 83209 (May 10, 2018), 83 FR 22717 (May 16, 2018) (SR–Phlx–2018–22) (order granting approval of proposed rule change to amend Phlx’s quoting requirements, among other changes).

<sup>4</sup> Nasdaq ISE, LLC (“ISE”) and Nasdaq MRX, LLC will file similar proposals.

Rules 701(c)(3) and (4), and Rule 702(d)(4).<sup>5</sup>

The Exchange also proposes to amend Rule 804(e) by deleting the introductory sentence: “A market maker must enter continuous quotations for the options classes to which it is appointed pursuant to the following.” The Exchange proposes to specifically detail a Market Maker’s quoting obligations in new rule text within paragraph (e) and therefore believes that the deleted language is not necessary given that the following sentences will replace this language, as described below.

The Exchange proposes to add new rule text to Rule 804(e). The first new sentence will provide, similar to Phlx Rule 1081(c): “A market maker must enter bids and offers for the options to which it is appointed, except in an assigned options series listed intra-day<sup>6</sup> on the Exchange.” The Exchange believes this sentence is clearer than the current Rule 804(e) because it excepts intra-day quotes. The Exchange notes that this is the case today, where a Market Maker is not held to quote an intra-day add of a series because the options series was not available for trading the entire day. The Exchange is adding this exception to the rule text to make clear that Market Makers would not be responsible for quoting an intra-day addition on the day it was added. The Exchange does not count intra-day adds of a series that were not available for the entire day of trading because the Market Maker would not have the opportunity to trade that particular options series for the entire trading day, and therefore could not have anticipated the impact such intra-day adds would have on the calculation of its quoting obligations.

The Exchange also proposes to note within the new rule text the specific quoting obligations for each type of Market Maker by adding: “On a daily basis, a Market Maker must make markets consistent with the applicable quoting requirements specified below.” The Exchange proposes to note within the new rule text the specific quoting

<sup>5</sup> The Exchange notes that as part of a parallel ISE filing that also proposes to amend the quoting obligations, ISE proposes to replace the word “continuous” with “intra-day” within ISE Rule 1614(b)(10). ISE Chapter 16, including ISE Rule 1614, is incorporated by reference into the Exchange’s Rulebook. As such, the proposed amendment to ISE Rule 1614 will also apply to GEMX Rule 1614. See SR–ISE–2018–90.

<sup>6</sup> An intra-day listing or add of a series means, for purposes of this Rule 804(e), as an option series that is added manually on the same day the series begins trading. The Exchange notes that an intra-day add of a series would be counted the following trading day (next business day after the intra-day add of a series was listed) when the options series would be available for a full trading day.

<sup>16</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.