



DATE: April 4, 2013
TO: MIAX Members
FROM: MIAX Regulatory Department
SUBJECT: SR-MIAX 2013-08
Revisions to Continuous Quoting Obligations for Market Makers

The Exchange has filed with the Securities and Exchange Commission (“SEC” or “Commission”) changes to its rules governing Market Maker continuous quoting obligations. Specifically, the Exchange has (i) decreased the percentage of time each trading day a Primary Lead Market Maker (“PLMM”) is required to continuously quote from 99% to 90%; (ii) clarified which series the continuous quoting obligations apply to for all Market Makers; (iii) set forth how the continuous quoting obligations are applied; and (iv) set forth how compliance with the continuous quoting obligations will be determined.

These rule changes will become operative on April 8, 2013.

Continuous Quoting—Percentage of Time

The percentage of time for which a PLMM is required to provide continuous two-sided Standard quotes and/or Day eQuotes quotes in an appointed option class on a given trading day has been reduced from 99% of the time to 90% of the time. This change is comparable to the rules of the other options exchanges. The reduction to 90% of the time also makes the obligation for PLMMs consistent with the obligations for MIAX’s other categories of Market Maker: Lead Market Maker (“LMM”) and Registered Market Maker (“RMM”).

Continuous Quoting—Series Included

The percentage of series requirement remains the same for PLMMs (the lesser of 99% or 100% minus one put-call pair in each class), LMMs (90%) and RMMs (60%), but the Exchange has limited the types of series to which the continuous quoting requirement applies. The continuous quoting requirements will not apply to adjusted option series and, for LMMs and RMMs only, series with a time to expiration of nine months or greater. PLMMs will continue to have a continuous quoting requirement for series with a time to expiration of nine months or greater. The term “adjusted option series” is defined in the revised rules as an options series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or exchange-traded fund shares.

Continuous Quoting—Application and Compliance

The continuous quoting requirement for PLMMs, LMMs and RMMs will be applied to all options classes collectively, rather than on a class-by-class basis and compliance will be determined on a monthly basis.

Determining compliance with the continuous quoting requirement on a monthly basis does not relieve the PLMMs, LMMs or RMMs of the obligation to provide continuous two-sided quotes on a daily basis, or will it prohibit the Exchange from taking disciplinary action against a PLMM, LMM or RMM for failing to meet the continuous quoting obligation each trading day. The Exchange believes that applying the quoting requirements for PLMMs, LMMs and RMMs collectively across all options classes and measuring such compliance over a monthly basis is a fair and more efficient way for the Exchange and market participants to evaluate compliance with the continuous quoting requirements.¹

Daily Reports Provided

On the basis of the daily reports, the Exchange will continue to inform PLMMs, LMMs and RMMs if they are failing to achieve their quoting requirements. Moreover, on the basis of daily monitoring activity, the Exchange can determine whether PLMMs, LMMs or RMMs violated any other Exchange rules such as, for example, Rule 301 regarding just and equitable principles of trade. Such daily monitoring will allow the Exchange to investigate unusual activity and to take appropriate regulatory action.

Please direct any questions concerning Market Maker quoting requirements to the Regulatory Department at Regulatory@miaxoptions.com.

Attachment A—Text of Revised Rules

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MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC

Text of Revised Rules

The following provisions of the Miami International Securities Exchange Rules have been amended as set forth below. ~~Strikethrough~~ indicates material to be deleted and underlined text indicates material to be added.

Rule 604. Market Maker Quotations

(a) through (d) No change.

(e) **Continuous Quotes.** The following quoting requirements shall apply:

(1) Primary Lead Market Makers

(i) A Primary Lead Market Maker must provide continuous two-sided Standard quotes and/or Day eQuotes, which for the purpose of this paragraph shall mean ~~99-90%~~ 99% of the time, for the options classes to which it is appointed.

(ii) A Primary Lead Market Maker must provide continuous two-sided Standard quotes and/or Day eQuotes ~~throughout the trading day~~ in at least the lesser of 99% of the non-adjusted option series, or 100% of the non-adjusted option series minus one put-call pair, in each class in which the Primary Lead Market Maker is assigned. The term "put-call pair" refers to one put and one call that cover the same underlying instrument and have the same expiration date and exercise price. Such quotations must meet the bid/ask differential requirements of Rule 603(b)(4). These obligations will [be applied] apply to all appointed classes collectively on a class-by-class basis for each Primary Lead Market Maker, rather than on a class-by-class basis. Compliance with this obligation will be determined on a monthly basis. However, determining compliance with the continuous quoting requirement on a monthly basis does not relieve the Primary Lead Market Maker of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Primary Lead Market Maker for failing to meet the continuous quoting obligation each trading day.

(iii) The obligation contained in subparagraph (e)(1)(ii) above, does not apply to adjusted option series. For purposes of this Rule, an adjusted options series is an options series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or exchange-traded fund shares.

~~(iii)~~(iv) If a technical failure or limitation of a system of the Exchange prevents a Primary Lead Market Maker from maintaining, or prevents a Primary Lead Market Maker from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the Primary Lead Market Maker has satisfied the quoting standard with respect to that option class. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(2) Lead Market Makers

(i) No change.

(ii) A Lead Market Maker must provide continuous two-sided Standard quotes and/or Day eQuotes ~~throughout the trading day~~ in at least 90% of the non-adjusted option series in each of its appointed classes. Such quotations must meet the bid/ask differential requirements of Rule 603(b)(4). These obligations will apply to all appointed classes collectively ~~be applied on a class-by-class basis~~ for each Lead Market Maker, rather than on a class-by-class basis. Compliance with this obligation will be determined on a monthly basis. However, determining compliance with the continuous quoting requirement on a monthly basis does not relieve the Lead Market Maker of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Lead Market Maker for failing to meet the continuous quoting obligation each trading day.

(iii) The obligation contained in subparagraph (e)(2)(ii) above, does not apply to adjusted option series nor to series with a time to expiration of nine (9) months or greater. For purposes of this Rule, an adjusted options series is an options series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or exchange-traded fund shares.

~~(iii)~~(iv) If a technical failure or limitation of a system of the Exchange prevents a Lead Market Maker from maintaining, or prevents a Lead Market Maker from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the Lead Market Maker has satisfied the quoting standard with respect to that option class. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(3) Registered Market Makers.

(i) A Registered Market Maker must provide continuous two-sided Standard quotes and/or Day eQuotes throughout the trading day in 60% of the non-adjusted series that have a time to expiration of less than nine months in each of its appointed classes. For the purpose of this paragraph, continuous two-sided quoting shall mean 90% of the time, for the options classes to which the Registered Market Maker is appointed. Such quotations must meet the bid/ask differential requirements of Rule 603(b)(4). These obligations will apply to all appointed classes collectively ~~be applied on a class-by-class basis~~ for each Registered Market Maker, rather than on a class-by-class basis. Compliance with this

obligation will be determined on a monthly basis. However, determining compliance with the continuous quoting requirement on a monthly basis does not relieve the Registered Market Maker of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Registered Market Maker for failing to meet the continuous quoting obligation each trading day.

(ii) through (iv) No change.

(f) No change.