

Required fields are shown with yellow backgrounds and asterisks.

Filing by Miami International Securities Exchange, LLC.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Amend Exchange Rule 515A to adopt new ISO PRIME order type

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name *	Last Name *
Gregory	Ziegler
Title *	
Senior Counsel	
E-mail *	
gziegler@miaoptions.com	
Telephone *	Fax
(609) 897-1483	

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date	Senior Counsel	
09/17/2020		
By		
Gregory P. Ziegler		
(Name *)		



NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Miami International Securities Exchange, LLC (“MIAX” or “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to amend Exchange Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism.

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange pursuant to authority delegated by the MIAX Board of Directors on January 29, 2020. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Gregory P. Ziegler, Vice President and Senior Counsel, at (609) 897-1483.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

The Exchange proposes to amend Exchange Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism, to adopt a new ISO PRIME order type.

PRIME is a process by which a Member³ may electronically submit for execution (“Auction”) an order it represents as agent (“Agency Order”) against principal interest, and/or an Agency Order against solicited interest.⁴ A Member (the "Initiating Member") may initiate an Auction provided all of the following are met: (i) the Agency Order is in a class designated as eligible for PRIME as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange; (ii) the Initiating Member must stop the entire Agency Order as principal or with a solicited order at the better of the NBBO⁵ or the Agency Order's limit price (if the order is a limit order); and (iii) with respect to Agency Orders that have a size of less than 50 contracts, if at the time of receipt of the

³ 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.

⁴ See Exchange Rule 515A(a).

⁵ The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

Agency Order, the NBBO has a bid/ask differential of \$0.01, the System⁶ will reject the Agency Order.⁷

An Intermarket Sweep Order (“ISO”) is defined in Exchange Rule 1400(i) as a limit order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid,⁸ in the case of a limit order to sell, or any Protected Offer,⁹ in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Member may submit an Intermarket Sweep Order to the Exchange only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the Intermarket Sweep Order. An ISO may be either an Immediate-Or-Cancel Order¹⁰ or an order that expires on the day it is entered.¹¹

⁶ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁷ See Exchange Rule 515A(a)(1).

⁸ A “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that: (a) is disseminated pursuant to the OPRA Plan; and (b) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. See Exchange Rule 1400(p).

⁹ Id.

¹⁰ An immediate-or-cancel order is an order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. An immediate-or-cancel order is not valid during the opening rotation process described in Rule 503. See Exchange Rule 516(c).

¹¹ See Exchange Rule 1400(i).

The Exchange now proposes to implement an ISO PRIME order type (“ISO PRIME”) that will allow the submission of an ISO into the PRIME. Specifically, an ISO PRIME is the transmission of two orders for crossing pursuant to Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism, without regard for better priced Protected Bids or Protected Offers because the Member transmitting the ISO PRIME order to the Exchange has, simultaneously with the submission of the ISO PRIME order, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRIME Auction price, and has swept all interest in the Exchange’s Book¹² priced better than the proposed Auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PRIME order, meaning that any executions will be given to the agency side of the order.

The Exchange will accept an ISO PRIME provided that the order adheres to the current PRIME order acceptance criteria outlined above, except that the initiating Member is only required to stop the entire Agency Order as principal or with a solicited order at the Agency Order’s limit price (if the order is a limit order). Therefore, a Member (the “Initiating Member”) may initiate an Auction provided that: (i) the Agency Order is in a class designated as eligible for PRIME as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange; and (ii) the Initiating Member must stop the entire Agency Order as principal or with a solicited order at the Agency Order’s limit price (if the order is a limit order). Also, with respect to Agency Orders that have a

¹² The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

size of less than 50 contracts, if at the time of receipt of the Agency Order, the NBBO has a bid/ask differential of \$0.01, the System will reject the Agency Order.¹³

The Exchange will process the ISO PRIME order in the same manner that it currently processes PRIME Orders, except that it will initiate a PRIME Auction without protecting away prices. The Member transmitting the ISO PRIME order will bear the responsibility to clear all better priced interest away simultaneously with the submission of the ISO PRIME order to the Exchange.

The Exchange also proposes to adopt a new allocation methodology specifically for Market Maker¹⁴ interest that is executed during an ISO PRIME Auction. Currently, allocation in a PRIME Auction follows the order allocation methodology defined in Exchange Rule 515A(a)(2)(iii), which provides that Priority Customer¹⁵ orders resting on the Book before, or that are received during, the Response Time Interval¹⁶ and Priority Customer RFR¹⁷ responses

¹³ See Exchange Rule 515A(a)(1).

¹⁴ The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. See Exchange Rule 100.

¹⁵ The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

¹⁶ The “Response Time Interval” means the period of time during which responses to the RFR may be entered. The RFR timer is 100 milliseconds. See MIAX Options Regulatory Circular 2017-30, Change to MIAX Options PRIME Timer Effective June 16, 2017 (June 15, 2017) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Options_RC_2017_30.pdf.

¹⁷ When the Exchange receives a properly designated Agency Order for auction processing, a Request for Responses (“RFR”) detailing the option, side, size, and initiating price will be sent to all subscribers of the Exchange’s data feeds. See Exchange Rule 515A(a)(2)(i)(B).

shall, collectively have first priority to trade against the Agency Order. The allocation of an Agency Order against the Priority Customer orders resting in the Book, Priority Customer orders received during the Response Time Interval, and Priority Customer RFR responses shall be in the sequence in which they are received by the System.¹⁸ Market Maker priority quotes¹⁹ and RFR responses from Market Makers with priority quotes will collectively have second priority. The allocation of Agency Orders against these contra sided quotes and RFR responses shall be on a size pro rata basis²⁰ as defined in Rule 514(c)(2).²¹ Professional Interest²² orders resting in the Book, Professional Interest orders placed in the Book during the Response Time Interval,

¹⁸ See Exchange Rule 515A(a)(2)(iii)(B).

¹⁹ To be considered a priority quote, at the time of execution, each of the following standards must be met: (A) the bid/ask differential of a Market Maker's two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Exchange Rule 603(b)(4)); (B) the initial size of both or the Market Maker's bid and the offer must be in compliance with the requirements of Exchange Rule 604(b)(2); (C) the bid/ask differential of a Market Maker's two-sided quote pair must meet the priority quote width requirements defined in Exchange Rule 517(b)(1)(ii) for each option; and (D) either of the following are true: 1. At the time a locking or crossing quote or order enters the System, the Market Maker's two-sided quote pair must be valid width for that option and must have been resting on the Book; or 2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote already existing (i.e., exclusive of the Market Maker's new marketable quote or update) among his two-sided quotes for that option. See Exchange Rule 517(b). The term "MBBO" means the best bid or offer on the Exchange. See Exchange Rule 100.

²⁰ Exchange Rule 514(c)(2), Pro Rata Allocation, states that, under this method, resting quotes and orders on the Book are prioritized according to price and time. If there are two or more quotes or orders at the best price then the contracts are allocated proportionally according to size (in a pro-rata fashion). If the executed quantity cannot be evenly allocated, the remaining contracts will be distributed one at a time based upon price-size-time priority.

²¹ See Exchange Rule 515A(a)(2)(iii)(C).

²² The term "Professional Interest" means (i) an order that is for the account of a person or entity that is not a Priority Customer, or (ii) an order or non-priority quote for the account of a Market Maker. See Exchange Rule 100.

Professional Interest quotes, and Professional Interest RFR responses will collectively have third priority. The allocation of Agency Orders against these contra sided orders and RFR Responses shall be on a size pro rata basis as defined in Rule 514(c)(2).²³

The Exchange now proposes to amend subsection (C) to adopt a new allocation for Market Maker priority quotes at the conclusion of an Auction for an ISO PRIME order. The proposed rule text will state that at the conclusion of an Auction for an ISO PRIME order, the allocation of Agency Orders at the final Auction price shall be: (i) to Market Makers that traded in the associated ISO sweep, for up to the full size of such Market Makers' refreshed priority quotes, as well as any RFR responses submitted by those Market Makers; (ii) to those Market Makers with quotes at the Auction start price that were resting and any RFR responses submitted by those Market Makers at the final Auction price; and (iii) to all other Market Makers that did not trade in the associated ISO sweep and did not have resting quotes at the Auction start price with joining interest at the final Auction price that was submitted during the Auction. If two or more Market Makers are entitled to priority under (i), (ii) or (iii) above, priority will be afforded to the extent practicable on a pro-rata basis.

This can be demonstrated in the following examples.

Example 1 – (Current PRIME Allocation) Single Price Submission, Priority Customer has first priority and Market Maker with priority quotes has second priority

ABBO²⁴ = \$1.15 - \$1.25 100 x 100

²³ See Exchange Rule 515A(a)(2)(iii)(D).

²⁴ The term "ABBO" or "Away Best Bid or Offer" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (defined in Rule 1400(g)) and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

MM3 = \$1.15 - \$1.25 100 x 100 (priority quote)²⁵

MBBO = \$1.15 - \$1.25 100 x 100

NBBO = \$1.15 - \$1.25 200 x 200

Agency Order to buy 50 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM1 response received (did not have a priority quote on the Book), AOC eQuote to Sell 10 at \$1.18
- @ 30 milliseconds BD4 response received, AOC order to Sell 10 at \$1.18
- @ 50 milliseconds Priority Customer response received, AOC order to Sell 15 at \$1.18
- @ 75 milliseconds MM3 response received, AOC eQuote to Sell 20 at \$1.18
- 100 milliseconds (Auction Ends)

Under this scenario the Agency Order would be executed as follows:

1. 15 contracts trade with Priority Customer @ \$1.18
2. 20 contracts trade with MM3 @ \$1.18
3. 8 contracts trade with MM1 @ \$1.18
4. 7 contracts trade with BD4 @ \$1.18 (This fills the entire Agency Order and Contra Order does not receive an execution)

Example 2 – (Proposed ISO PRIME Allocation) Single Price Submission, Priority Customer has first priority and Market Maker (who initially traded as part of the associated ISO Sweep) with joining quotes at the final Auction price has second priority

ABBO = \$1.15 - \$1.17 200 x 200

MM3 = \$1.15 - \$1.17 100 x 10 (priority quote)

MBBO = \$1.15 - \$1.17 100 x 10

NBBO = \$1.15 - \$1.17 300 x 210

ISO PRIME Agency Order to buy 50 contracts with a limit price of \$1.20 is received.

It will ISO Sweep resting liquidity priced better than the Auction start price of \$1.20.

Under this scenario the Agency Order would be executed as follows:

1. 10 contracts trade with MM3 @ 1.17

²⁵ The term “priority quote” has the meaning set forth in Rule 517(b)(1)(i). See Exchange Rule 100. See also supra note 19.

Contemporaneously the balance of the ISO PRIME Agency Order initiates a PRIME Auction to buy 40 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM1 response received, AOC eQuote to Sell 10 at \$1.18
- @ 30 milliseconds BD4 response received, AOC order to Sell 10 at \$1.18
- @ 40 milliseconds Priority Customer response received, AOC order to Sell 15 at \$1.18
- @ 65 milliseconds MM3 (who traded as part of the initial sweep), response received, AOC eQuote to Sell 40 at \$1.18
- 100 milliseconds (Auction Ends)

Under this scenario the Agency Order would be executed as follows:

2. 15 contracts trade with Priority Customer @ \$1.18
3. 25 contracts trade with MM3 @ \$1.18 (This fills the entire Agency Order and Contra Order does not receive an execution)

Example 3 – (Proposed ISO PRIME Allocation) Single Price Submission, Market Maker who has a joining quote at a better price has priority and Market Maker (who has a resting quote at the Auction start price) that submits an RFR response at the final Auction price has priority

ABBO = \$1.15 - \$1.17 100 x 100

MM1 = \$1.15 - \$1.17 10 x 10 (priority quote)

MM2 = \$1.15 - \$1.20 20 x 20 (priority quote)

MM3 = \$1.15 - \$1.21 20 x 20 (priority quote)

MBBO = \$1.15 - \$1.17 50 x 10

NBBO = \$1.15 - \$1.17 150 x 110

ISO PRIME Agency Order to buy 50 contracts with a limit price of \$1.20 is received.

It will ISO Sweep resting liquidity priced better than the Auction start price of \$1.20.

Under this scenario the Agency Order would be executed as follows:

1. 10 contracts trade with MM1 @ \$1.17

Contemporaneously the balance of the ISO PRIME Agency Order initiates a PRIME Auction to buy 40 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM4 response received, AOC eQuote to Sell 30 at \$1.18
- @ 30 milliseconds MM3 response received, AOC eQuote to Sell 20 at \$1.19

- @ 75 milliseconds MM2 (who has a resting quote at the Auction Start Price), response received, AOC eQuote to Sell 20 at \$1.19
- 100 milliseconds (Auction Ends)

Under this scenario, the Agency Order would be executed as follows:

2. 30 contracts trade with MM4 @ \$1.18
3. 10 contracts trade with MM2 @ \$1.19 (This is the final Auction price and fills the entire Agency Order and Contra Order and MM3 does not receive an execution)

Example 4 – (Proposed ISO PRIME Allocation) Single Price Submission, Priority Customer has first priority and Market Maker (who initially traded as part of an ISO Sweep) with joining quotes has second priority, Market Maker with joining interest that is received during the associated ISO PRIME Auction that did not trade in the associated ISO sweep and did not have resting interest at the Auction start price receives last priority among Market Makers

ABBO = \$1.15 - \$1.17 200 x 200

MM3 = \$1.15 - \$1.17 100 x 10 (priority quote)

MBBO = \$1.15 - \$1.17 100 x 10

NBBO = \$1.15 - \$1.17 300 x 210

ISO PRIME Agency Order to buy 50 contracts with a limit price of \$1.20 is received. It will ISO Sweep resting liquidity priced better than the Auction start price of \$1.20.

Under this scenario, the Agency Order would be executed as follows:

1. 10 contracts trade with MM3 @ 1.17

Contemporaneously, the balance of the ISO PRIME Agency Order initiates a PRIME Auction to buy 40 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with an initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM1 response received (did not have a priority quote on the Book), AOC eQuote to Sell 20 at \$1.18
- @ 30 milliseconds BD4 response received, AOC order to Sell 20 at \$1.18
- @ 40 milliseconds Priority Customer response received, AOC order to Sell 15 at \$1.18
- @ 65 milliseconds MM3 (who traded as part of the initial sweep), quote response received, AOC eQuote to Sell 20 at \$1.18
- @ 100 milliseconds (Auction Ends)

Under this scenario, the Agency Order would be executed as follows:

2. 15 contracts trade with Priority Customer @ \$1.18
3. 20 contracts trade with MM3 @ \$1.18
4. 3 contracts trade with MM1 @ \$1.18

5. 2 contracts trade with BD4 @ \$1.18 (This fills the entire Agency Order and the Contra Order does not receive an execution)

The Exchange believes this allocation methodology, used only for Market Maker priority interest and only at the conclusion of an ISO PRIME Auction, will provide an additional incentive for Market Makers to provide their most aggressive quotes to the market throughout the entire trading session.

The Exchange also proposes to amend subsection (J) which currently states, notwithstanding (a)(2)(iii)(C), (D) above, if the Auction does not result in price improvement over the Exchange's disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority and the Initiating Member's priority (40%) have been satisfied. The new proposed rule text will provide, notwithstanding (a)(2)(iii)(C), (D) above, (provided the Auction is not for an ISO PRIME order) if the Auction does not result in price improvement over the Exchange's disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority and the Initiating Member may not participate on any such balance unless the Agency Order would otherwise go unfilled.

The Exchange will announce the implementation of this order type in a Regulatory Circular. The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 90 days following the operative date of the proposed rule. The implementation date will be no later than 90 days following the issuance of the Regulatory Circular.

b. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act²⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁷ 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 proposed rule change promotes just and equitable principles of trade and removes impediments to and perfects the mechanisms of a free and open market in that it promotes competition as described below. Specifically, the proposal allows the Exchange to offer its Members an order type that is already offered by another exchange.²⁸ In addition, the proposal benefits traders and investors because it adds a new order type for seeking price improvement through the PRIME. ISO PRIME orders will also be subject to all eligibility requirements that currently apply to PRIME orders. The Initiating Member, simultaneous with the routing of the ISO PRIME order to the Exchange, remains responsible for routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRIME Auction price and has swept all interest in the Exchange's Book priced better than the proposed Auction starting price. Finally, the proposal does not unfairly discriminate among Members because all Members of the Exchange are eligible to submit an ISO PRIME order.

²⁶ 15 U.S.C. 78f(b).

²⁷ 15 U.S.C. 78f(b)(5).

²⁸ See Nasdaq ISE Exchange Rule, Options 3, Section 13, Supplementary Material .08.

The Exchange's proposal to adopt a new allocation at the conclusion of an ISO PRIME Auction for Market Maker priority quotes and RFR responses from Market Makers with priority quotes, that participate in the associated ISO sweep, promotes just and equitable principles of trade, perfects the mechanisms of a free and open market and a national market system and, in general, benefits investors as it provides an additional incentive to Market Makers to provide their most aggressive quotes to the market at all times. Prioritizing Market Maker interest such that Market Makers that trade in the associated ISO sweep that also have joining interest at the final Auction price receive first priority in allocation provides an incentive to Market Makers to have their most aggressive quotes on the Book in order to participate in any potential ISO sweeps.

The Exchange's proposal does not change the existing allocation priority for PRIME Auctions. The Exchange's proposal is narrowly tailored to allocation priority only among Market Makers and only at the conclusion of a PRIME Auction initiated by an ISO PRIME order.

The Exchange currently uses priority quotes for trade allocation purposes as described in Exchange Rule 517(b) which provides that, quotes will be considered either priority quotes (i.e., trade allocation will be in accordance with Rule 514(e), which provides priority quotes with precedence over all Professional Interest) or non-priority quotes (i.e., trade allocation will be in accordance with Rule 514(e), which also provides non-priority quotes are considered together with all other Professional Interest) based upon a Market Maker's quote width at certain times as described.²⁹ To be considered a priority quote, at the time of execution, each of the following standards must be met: (A) the bid/ask differential of both of the Market Maker's two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Rule 603(b)(4)); (B) the initial size of both of the Market Maker's bid and the offer must be in compliance with the

²⁹ See Exchange Rule 517(b).

requirements of Rule 604(b)(2); (C) the bid/ask differential of a Market Maker's two-sided quote pair must meet the priority quote width requirements defined in Exchange Rule 517(b)(ii) for each option; and (D) either of the following are true: 1. At the time a locking or crossing quote or order enters the System, the Market Maker's two-sided pair must be valid width for that option and must have been resting on the Book; or 2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote already existing (i.e., exclusive of the Market Maker's new marketable quote or update) among his two-side quotes for that option.³⁰

Exchange Rule 514(e) provides that after executions resulting from Priority Overlays set forth in paragraph (d) of Rule 514, when the pro-rata allocation method applies: (1) If there is other interest at the NBBO, after all Priority Customer Orders (if any) at that price have been filled, executions at that price will be first allocated to other remaining Market Maker priority quotes, which have not received a participation entitlement, and have precedence over Professional Interest. (2) If after all Market Maker priority quotes have been filled in accordance with (1) above and there remains interest at the NBBO, executions will be allocated to all Professional Interest at that price. Professional Interest is defined in Rule 100 and includes among other interest, Market Maker non-priority quotes (as described in Rule 517(b)(1)(iii)) and Market Maker orders in both assigned and non-assigned classes.³¹

The Exchange does not believe that the purpose of the proposed rule change, to provide priority to a Market Maker at the conclusion of an ISO PRIME Auction (among other Market Makers) that has also traded in the associated ISO sweep, is a new or novel concept, as the

³⁰ See Exchange Rule 517(b)(1)(i).

³¹ See Exchange Rule 514(e).

Exchange has an existing hierarchy of priority allocation based on priority quotes as discussed above.

Additionally, the Exchange believes its proposal to amend subsection (J) to clarify that the subsection does not apply to Auctions for ISO PRIME orders, promotes just and equitable principles of trade, and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by removing any ambiguity in the Exchange's rulebook about the type of Auctions subsection (J) pertains to. Current subsection (J) provides additional clarifying language concerning the priority of allocations at the conclusion of a PRIME Auction that does not result in price improvement over the Exchange's disseminated price at the time the Auction began stating that, "resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority" The Exchange's proposal concerning allocation at the conclusion of an Auction for an ISO PRIME order provides a more nuanced and detailed hierarchy of allocation for Market Makers which would be applicable in the scenario contemplated by subsection (J). Therefore, the Exchange is proposing to exclude the application of subsection (J) to Auctions that are initiated by ISO PRIME orders. The Exchange believes this change eliminates any potential conflict regarding the application of the Exchange's rules and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes this change will benefit market participants as it encourages Market Makers to participate in ISO PRIME Auctions and will provide additional incentive to Market Makers to provide their most aggressive quotes to the market throughout the trading session and may also result in increased liquidity being available during the Auction.

4. 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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will benefit inter-market competition as it will allow the Exchange to compete with other markets that already allow an ISO order type in their price improvement mechanisms.³²

The Exchange's proposal to adopt an ISO PRIME order type benefits intra-market competition because it will enable the Exchange to provide market participants with an additional method of seeking price improvement through the PRIME. The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition as the Rules of the Exchange apply equally to all Exchange Members, and all Exchange Members may submit an ISO PRIME order.

The Exchange does not believe its proposal to further apportion Market Maker allocation at the conclusion of an Auction of an ISO PRIME order will impose any burden on intra-market competition but rather promotes intra-market competition as it provides further incentive to Market Makers to provide their most aggressive quotes to the market throughout the entire trading session and may increase liquidity available during a PRIME Auction. The proposal provides Market Makers with priority quotes on the Book, that participate in an associated ISO sweep, with priority over other Market Makers, which benefits intra-market competition as it also provides an incentive to Market Makers to provide their most aggressive quotes to the market during the entire trading session to be in position to participate in any potential ISO sweeps.

³² See supra note 28.

The Exchange does not believe its proposal will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, but rather will promote inter-market competition as it provides an additional incentive to Market Makers on the Exchange to provide their most aggressive quotes to the market at all times which could result in tighter quotes and greater liquidity being available in the market place, which would benefit all investors.

The Exchange believes its proposal to amend subparagraph (J) promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system because the proposed rule change provides additional detail and further clarifies the rule. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A) of the Act³³ and Rule 19b-4(f)(6)³⁴ thereunder, the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 17 CFR 240.19b-4(f)(6).

date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

As discussed above, the proposed rule change benefits investors and the public interest as it allows the Exchange to add a new order type for seeking price improvement through the PRIME. PRIME order handling on the Exchange remains unchanged, however a PRIME Auction of an ISO PRIME order does not consider better priced Protected Bids or Protected Offers because the Member transmitting an ISO PRIME order to the Exchange is responsible for routing one or more ISOs, as necessary to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRIME Auction price, simultaneously with the submission of an ISO PRIME order to the Exchange. Additionally, the proposed rule change will promote competition among exchanges as it will allow the Exchange to compete with other exchanges that already allow an ISO order type to participate in their price improvement mechanism.³⁵

Currently, the Exchange differentiates between Market Makers with priority quotes versus Market Makers without priority quotes when establishing its allocation hierarchy with Market Maker priority quotes having precedence over other Professional Interest.³⁶ The Exchange's proposal is a narrowly tailored change to the existing allocation hierarchy for PRIME Auctions but only when the Auction is initiated by an ISO PRIME order as proposed herein. The Exchange believes the proposed rule change benefits investors and the public interest as further prioritizing Market Maker allocation among Market Makers will provide all Market Makers with an additional

³⁵ See supra note 28.

³⁶ See Exchange Rule 514(e). The term "Professional Interest" means (i) an order that is for the account of a person or entity that is not a Priority Customer, or (ii) an order or non-priority quote for the account of a Market Maker. See Exchange Rule 100.

incentive to provide their most aggressive quotes to the market during the entire trading session and may also result in additional liquidity being available during the PRIME Auction period.

Finally, the Exchange's proposed change to subsection (J) promotes the protection of investors and the public interest by improving the accuracy and precision of the Exchange's Rules. The Exchange's proposal for allocation at the conclusion of an Auction initiated by an ISO PRIME contemplates the participation of a Market Maker that may have had resting priority quotes included in the associated ISO sweep prior to the commencement of the PRIME Auction. Therefore the Exchange believes clarifying that subsection (J) does not apply to Auctions initiated by ISO PRIME orders benefits investors and the public interest as it provides clarity in the Exchange's rules and eliminates the potential for confusion.

Therefore, the Exchange believes that the proposed rule change is well-suited for, and meets the standards applicable to, the Commission's treatment of non-controversial proposals under Section 19(b)(3)(A) of the Act³⁷ and Rule 19b-4(f)(6) thereunder.³⁸ Accordingly, for the reasons stated above, the Exchange believes that the proposed rule change is non-controversial and is therefore eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

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.

³⁷ 15 U.S.C. 78s(b)(3)(A).

³⁸ 17 CFR 240.19b-4(f)(6).

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.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposal to adopt an ISO PRIME Order is substantially similar to the PIM ISO Order defined in Nasdaq ISE Exchange Rule, Options 3, Section 13, Supplementary Material .08. The Exchange's proposal to adopt a new priority allocation among Market Makers is not based on the rules of any other electronic options exchange.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-MIAX-2020-31)

September __, 2020

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC to amend Exchange Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism.

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 September 17, 2020, 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 Exchange Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Exchange Rule 515A, MIA X Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism, to adopt a new ISO PRIME order type.

PRIME is a process by which a Member³ may electronically submit for execution (“Auction”) an order it represents as agent (“Agency Order”) against principal interest, and/or an Agency Order against solicited interest.⁴ A Member (the "Initiating Member") may initiate an Auction provided all of the following are met: (i) the Agency Order is in a class designated as eligible for PRIME as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange; (ii) the Initiating Member must stop the entire Agency Order as principal or with a solicited order at the

³ 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.

⁴ See Exchange Rule 515A(a).

better of the NBBO⁵ or the Agency Order's limit price (if the order is a limit order); and (iii) with respect to Agency Orders that have a size of less than 50 contracts, if at the time of receipt of the Agency Order, the NBBO has a bid/ask differential of \$0.01, the System⁶ will reject the Agency Order.⁷

An Intermarket Sweep Order (“ISO”) is defined in Exchange Rule 1400(i) as a limit order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid,⁸ in the case of a limit order to sell, or any Protected Offer,⁹ in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Member may submit an Intermarket Sweep Order to the Exchange only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the

⁵ The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

⁶ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁷ See Exchange Rule 515A(a)(1).

⁸ A “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that: (a) is disseminated pursuant to the OPRA Plan; and (b) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange. See Exchange Rule 1400(p).

⁹ Id.

Intermarket Sweep Order. An ISO may be either an Immediate-Or-Cancel Order¹⁰ or an order that expires on the day it is entered.¹¹

The Exchange now proposes to implement an ISO PRIME order type (“ISO PRIME”) that will allow the submission of an ISO into the PRIME. Specifically, an ISO PRIME is the transmission of two orders for crossing pursuant to Rule 515A, MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism, without regard for better priced Protected Bids or Protected Offers because the Member transmitting the ISO PRIME order to the Exchange has, simultaneously with the submission of the ISO PRIME order, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRIME Auction price, and has swept all interest in the Exchange’s Book¹² priced better than the proposed Auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PRIME order, meaning that any executions will be given to the agency side of the order.

The Exchange will accept an ISO PRIME provided that the order adheres to the current PRIME order acceptance criteria outlined above, except that the initiating Member is only required to stop the entire Agency Order as principal or with a solicited order at the Agency Order’s limit price (if the order is a limit order). Therefore, a Member (the “Initiating Member”) may initiate an Auction provided that: (i) the Agency Order is in a class designated as eligible for PRIME as determined by the Exchange and within the designated Auction order eligibility size

¹⁰ An immediate-or-cancel order is an order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. An immediate-or-cancel order is not valid during the opening rotation process described in Rule 503. See Exchange Rule 516(c).

¹¹ See Exchange Rule 1400(i).

¹² The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

parameters as such size parameters are determined by the Exchange; and (ii) the Initiating Member must stop the entire Agency Order as principal or with a solicited order at the Agency Order's limit price (if the order is a limit order). Also, with respect to Agency Orders that have a size of less than 50 contracts, if at the time of receipt of the Agency Order, the NBBO has a bid/ask differential of \$0.01, the System will reject the Agency Order.¹³

The Exchange will process the ISO PRIME order in the same manner that it currently processes PRIME Orders, except that it will initiate a PRIME Auction without protecting away prices. The Member transmitting the ISO PRIME order will bear the responsibility to clear all better priced interest away simultaneously with the submission of the ISO PRIME order to the Exchange.

The Exchange also proposes to adopt a new allocation methodology specifically for Market Maker¹⁴ interest that is executed during an ISO PRIME Auction. Currently, allocation in a PRIME Auction follows the order allocation methodology defined in Exchange Rule 515A(a)(2)(iii), which provides that Priority Customer¹⁵ orders resting on the Book before, or that are received during, the Response Time Interval¹⁶ and Priority Customer RFR¹⁷ responses

¹³ See Exchange Rule 515A(a)(1).

¹⁴ The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. See Exchange Rule 100.

¹⁵ The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Exchange Rule 100.

¹⁶ The “Response Time Interval” means the period of time during which responses to the RFR may be entered. The RFR timer is 100 milliseconds. See MIAX Options Regulatory Circular 2017-30, Change to MIAX Options PRIME Timer Effective June 16, 2017 (June 15, 2017) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Options_RC_2017_30.pdf.

¹⁷ When the Exchange receives a properly designated Agency Order for auction processing, a Request for Responses (“RFR”) detailing the option, side, size, and initiating price will

shall, collectively have first priority to trade against the Agency Order. The allocation of an Agency Order against the Priority Customer orders resting in the Book, Priority Customer orders received during the Response Time Interval, and Priority Customer RFR responses shall be in the sequence in which they are received by the System.¹⁸ Market Maker priority quotes¹⁹ and RFR responses from Market Makers with priority quotes will collectively have second priority. The allocation of Agency Orders against these contra sided quotes and RFR responses shall be on a size pro rata basis²⁰ as defined in Rule 514(c)(2).²¹ Professional Interest²² orders resting in the Book, Professional Interest orders placed in the Book during the Response Time Interval,

be sent to all subscribers of the Exchange's data feeds. See Exchange Rule 515A(a)(2)(i)(B).

¹⁸ See Exchange Rule 515A(a)(2)(iii)(B).

¹⁹ To be considered a priority quote, at the time of execution, each of the following standards must be met: (A) the bid/ask differential of a Market Maker's two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Exchange Rule 603(b)(4)); (B) the initial size of both or the Market Maker's bid and the offer must be in compliance with the requirements of Exchange Rule 604(b)(2); (C) the bid/ask differential of a Market Maker's two-sided quote pair must meet the priority quote width requirements defined in Exchange Rule 517(b)(1)(ii) for each option; and (D) either of the following are true: 1. At the time a locking or crossing quote or order enters the System, the Market Maker's two-sided quote pair must be valid width for that option and must have been resting on the Book; or 2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote already existing (i.e., exclusive of the Market Maker's new marketable quote or update) among his two-sided quotes for that option. See Exchange Rule 517(b). The term "MBBO" means the best bid or offer on the Exchange. See Exchange Rule 100.

²⁰ Exchange Rule 514(c)(2), Pro Rata Allocation, states that, under this method, resting quotes and orders on the Book are prioritized according to price and time. If there are two or more quotes or orders at the best price then the contracts are allocated proportionally according to size (in a pro-rata fashion). If the executed quantity cannot be evenly allocated, the remaining contracts will be distributed one at a time based upon price-size-time priority.

²¹ See Exchange Rule 515A(a)(2)(iii)(C).

²² The term "Professional Interest" means (i) an order that is for the account of a person or entity that is not a Priority Customer, or (ii) an order or non-priority quote for the account of a Market Maker. See Exchange Rule 100.

Professional Interest quotes, and Professional Interest RFR responses will collectively have third priority. The allocation of Agency Orders against these contra sided orders and RFR Responses shall be on a size pro rata basis as defined in Rule 514(c)(2).²³

The Exchange now proposes to amend subsection (C) to adopt a new allocation for Market Maker priority quotes at the conclusion of an Auction for an ISO PRIME order. The proposed rule text will state that at the conclusion of an Auction for an ISO PRIME order, the allocation of Agency Orders at the final Auction price shall be: (i) to Market Makers that traded in the associated ISO sweep, for up to the full size of such Market Makers' refreshed priority quotes, as well as any RFR responses submitted by those Market Makers; (ii) to those Market Makers with quotes at the Auction start price that were resting and any RFR responses submitted by those Market Makers at the final Auction price; and (iii) to all other Market Makers that did not trade in the associated ISO sweep and did not have resting quotes at the Auction start price with joining interest at the final Auction price that was submitted during the Auction. If two or more Market Makers are entitled to priority under (i), (ii) or (iii) above, priority will be afforded to the extent practicable on a pro-rata basis.

This can be demonstrated in the following examples.

Example 1 – (Current PRIME Allocation) Single Price Submission, Priority Customer has first priority and Market Maker with priority quotes has second priority

ABBO²⁴ = \$1.15 - \$1.25 100 x 100

MM3 = \$1.15 - \$1.25 100 x 100 (priority quote)²⁵

²³ See Exchange Rule 515A(a)(2)(iii)(D).

²⁴ The term “ABBO” or “Away Best Bid or Offer” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (defined in Rule 1400(g)) and calculated by the Exchange based on market information received by the Exchange from OPRA. See Exchange Rule 100.

²⁵ The term “priority quote” has the meaning set forth in Rule 517(b)(1)(i). See Exchange Rule 100. See also supra note 19.

MBBO = \$1.15 - \$1.25 100 x 100

NBBO = \$1.15 - \$1.25 200 x 200

Agency Order to buy 50 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM1 response received (did not have a priority quote on the Book), AOC eQuote to Sell 10 at \$1.18
- @ 30 milliseconds BD4 response received, AOC order to Sell 10 at \$1.18
- @ 50 milliseconds Priority Customer response received, AOC order to Sell 15 at \$1.18
- @ 75 milliseconds MM3 response received, AOC eQuote to Sell 20 at \$1.18
- 100 milliseconds (Auction Ends)

Under this scenario the Agency Order would be executed as follows:

1. 15 contracts trade with Priority Customer @ \$1.18
2. 20 contracts trade with MM3 @ \$1.18
3. 8 contracts trade with MM1 @ \$1.18
4. 7 contracts trade with BD4 @ \$1.18 (This fills the entire Agency Order and Contra Order does not receive an execution)

Example 2 – (Proposed ISO PRIME Allocation) Single Price Submission, Priority Customer has first priority and Market Maker (who initially traded as part of the associated ISO Sweep) with joining quotes at the final Auction price has second priority

ABBO = \$1.15 - \$1.17 200 x 200

MM3 = \$1.15 - \$1.17 100 x 10 (priority quote)

MBBO = \$1.15 - \$1.17 100 x 10

NBBO = \$1.15 - \$1.17 300 x 210

ISO PRIME Agency Order to buy 50 contracts with a limit price of \$1.20 is received.

It will ISO Sweep resting liquidity priced better than the Auction start price of \$1.20.

Under this scenario the Agency Order would be executed as follows:

1. 10 contracts trade with MM3 @ 1.17

Contemporaneously the balance of the ISO PRIME Agency Order initiates a PRIME Auction to buy 40 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM1 response received, AOC eQuote to Sell 10 at \$1.18
- @ 30 milliseconds BD4 response received, AOC order to Sell 10 at \$1.18
- @ 40 milliseconds Priority Customer response received, AOC order to Sell 15 at \$1.18
- @ 65 milliseconds MM3 (who traded as part of the initial sweep), response received, AOC eQuote to Sell 40 at \$1.18
- 100 milliseconds (Auction Ends)

Under this scenario the Agency Order would be executed as follows:

2. 15 contracts trade with Priority Customer @ \$1.18
3. 25 contracts trade with MM3 @ \$1.18 (This fills the entire Agency Order and Contra Order does not receive an execution)

Example 3 – (Proposed ISO PRIME Allocation) Single Price Submission, Market Maker who has a joining quote at a better price has priority and Market Maker (who has a resting quote at the Auction start price) that submits an RFR response at the final Auction price has priority

ABBO = \$1.15 - \$1.17 100 x 100

MM1 = \$1.15 - \$1.17 10 x 10 (priority quote)

MM2 = \$1.15 - \$1.20 20 x 20 (priority quote)

MM3 = \$1.15 - \$1.21 20 x 20 (priority quote)

MBBO = \$1.15 - \$1.17 50 x 10

NBBO = \$1.15 - \$1.17 150 x 110

ISO PRIME Agency Order to buy 50 contracts with a limit price of \$1.20 is received. It will ISO Sweep resting liquidity priced better than the Auction start price of \$1.20.

Under this scenario the Agency Order would be executed as follows:

1. 10 contracts trade with MM1 @ \$1.17

Contemporaneously the balance of the ISO PRIME Agency Order initiates a PRIME Auction to buy 40 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM4 response received, AOC eQuote to Sell 30 at \$1.18
- @ 30 milliseconds MM3 response received, AOC eQuote to Sell 20 at \$1.19
- @ 75 milliseconds MM2 (who has a resting quote at the Auction Start Price), response received, AOC eQuote to Sell 20 at \$1.19
- 100 milliseconds (Auction Ends)

Under this scenario, the Agency Order would be executed as follows:

2. 30 contracts trade with MM4 @ \$1.18

3. 10 contracts trade with MM2 @ \$1.19 (This is the final Auction price and fills the entire Agency Order and Contra Order and MM3 does not receive an execution)

Example 4 – (Proposed ISO PRIME Allocation) Single Price Submission, Priority Customer has first priority and Market Maker (who initially traded as part of an ISO Sweep) with joining quotes has second priority, Market Maker with joining interest that is received during the associated ISO PRIME Auction that did not trade in the associated ISO sweep and did not have resting interest at the Auction start price receives last priority among Market Makers

ABBO = \$1.15 - \$1.17 200 x 200

MM3 = \$1.15 - \$1.17 100 x 10 (priority quote)

MBBO = \$1.15 - \$1.17 100 x 10

NBBO = \$1.15 - \$1.17 300 x 210

ISO PRIME Agency Order to buy 50 contracts with a limit price of \$1.20 is received. It will ISO Sweep resting liquidity priced better than the Auction start price of \$1.20.

Under this scenario, the Agency Order would be executed as follows:

1. 10 contracts trade with MM3 @ 1.17

Contemporaneously, the balance of the ISO PRIME Agency Order initiates a PRIME Auction to buy 40 contracts with a limit price of \$1.20

Initiating Member's Contra Order selling 50 contracts with a single stop price of \$1.20

RFR sent identifying the option, side and size, with an initiating price of \$1.20

(Auction Starts)

- @ 10 milliseconds MM1 response received (did not have a priority quote on the Book), AOC eQuote to Sell 20 at \$1.18
- @ 30 milliseconds BD4 response received, AOC order to Sell 20 at \$1.18
- @ 40 milliseconds Priority Customer response received, AOC order to Sell 15 at \$1.18
- @ 65 milliseconds MM3 (who traded as part of the initial sweep), quote response received, AOC eQuote to Sell 20 at \$1.18
- @ 100 milliseconds (Auction Ends)

Under this scenario, the Agency Order would be executed as follows:

2. 15 contracts trade with Priority Customer @ \$1.18
3. 20 contracts trade with MM3 @ \$1.18
4. 3 contracts trade with MM1 @ \$1.18
5. 2 contracts trade with BD4 @ \$1.18 (This fills the entire Agency Order and the Contra Order does not receive an execution)

The Exchange believes this allocation methodology, used only for Market Maker priority interest and only at the conclusion of an ISO PRIME Auction, will provide an additional

incentive for Market Makers to provide their most aggressive quotes to the market throughout the entire trading session.

The Exchange also proposes to amend subsection (J) which currently states, notwithstanding (a)(2)(iii)(C), (D) above, if the Auction does not result in price improvement over the Exchange's disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority and the Initiating Member's priority (40%) have been satisfied. The new proposed rule text will provide, notwithstanding (a)(2)(iii)(C), (D) above, (provided the Auction is not for an ISO PRIME order) if the Auction does not result in price improvement over the Exchange's disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority and the Initiating Member may not participate on any such balance unless the Agency Order would otherwise go unfilled.

The Exchange will announce the implementation of this order type in a Regulatory Circular. The Exchange will announce the implementation date of the proposed rule change by Regulatory Circular to be published no later than 90 days following the operative date of the proposed rule. The implementation date will be no later than 90 days following the issuance of the Regulatory Circular.

2. Statutory Basis

MIAX believes that its proposed rule change is consistent with Section 6(b) of the Act²⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable

²⁶ 15 U.S.C. 78f(b).

²⁷ 15 U.S.C. 78f(b)(5).

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 proposed rule change promotes just and equitable principles of trade and removes impediments to and perfects the mechanisms of a free and open market in that it promotes competition as described below. Specifically, the proposal allows the Exchange to offer its Members an order type that is already offered by another exchange.²⁸ In addition, the proposal benefits traders and investors because it adds a new order type for seeking price improvement through the PRIME. ISO PRIME orders will also be subject to all eligibility requirements that currently apply to PRIME orders. The Initiating Member, simultaneous with the routing of the ISO PRIME order to the Exchange, remains responsible for routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRIME Auction price and has swept all interest in the Exchange's Book priced better than the proposed Auction starting price. Finally, the proposal does not unfairly discriminate among Members because all Members of the Exchange are eligible to submit an ISO PRIME order.

The Exchange's proposal to adopt a new allocation at the conclusion of an ISO PRIME Auction for Market Maker priority quotes and RFR responses from Market Makers with priority quotes, that participate in the associated ISO sweep, promotes just and equitable principles of trade, perfects the mechanisms of a free and open market and a national market system and, in general, benefits investors as it provides an additional incentive to Market Makers to provide their most aggressive quotes to the market at all times. Prioritizing Market Maker interest such that Market

²⁸ See Nasdaq ISE Exchange Rule, Options 3, Section 13, Supplementary Material .08.

Makers that trade in the associated ISO sweep that also have joining interest at the final Auction price receive first priority in allocation provides an incentive to Market Makers to have their most aggressive quotes on the Book in order to participate in any potential ISO sweeps.

The Exchange's proposal does not change the existing allocation priority for PRIME Auctions. The Exchange's proposal is narrowly tailored to allocation priority only among Market Makers and only at the conclusion of a PRIME Auction initiated by an ISO PRIME order.

The Exchange currently uses priority quotes for trade allocation purposes as described in Exchange Rule 517(b) which provides that, quotes will be considered either priority quotes (i.e., trade allocation will be in accordance with Rule 514(e), which provides priority quotes with precedence over all Professional Interest) or non-priority quotes (i.e., trade allocation will be in accordance with Rule 514(e), which also provides non-priority quotes are considered together with all other Professional Interest) based upon a Market Maker's quote width at certain times as described.²⁹ To be considered a priority quote, at the time of execution, each of the following standards must be met: (A) the bid/ask differential of both of the Market Maker's two-sided quote pair must be valid width (no wider than the bid/ask differentials outlined in Rule 603(b)(4)); (B) the initial size of both of the Market Maker's bid and the offer must be in compliance with the requirements of Rule 604(b)(2); (C) the bid/ask differential of a Market Maker's two-sided quote pair must meet the priority quote width requirements defined in Exchange Rule 517(b)(ii) for each option; and (D) either of the following are true: 1. At the time a locking or crossing quote or order enters the System, the Market Maker's two-sided pair must be valid width for that option and must have been resting on the Book; or 2. Immediately prior to the time the Market Maker enters a new quote that locks or crosses the MBBO, the Market Maker must have had a valid width quote

²⁹ See Exchange Rule 517(b).

already existing (i.e., exclusive of the Market Maker's new marketable quote or update) among his two-side quotes for that option.³⁰

Exchange Rule 514(e) provides that after executions resulting from Priority Overlays set forth in paragraph (d) of Rule 514, when the pro-rata allocation method applies: (1) If there is other interest at the NBBO, after all Priority Customer Orders (if any) at that price have been filled, executions at that price will be first allocated to other remaining Market Maker priority quotes, which have not received a participation entitlement, and have precedence over Professional Interest. (2) If after all Market Maker priority quotes have been filled in accordance with (1) above and there remains interest at the NBBO, executions will be allocated to all Professional Interest at that price. Professional Interest is defined in Rule 100 and includes among other interest, Market Maker non-priority quotes (as described in Rule 517(b)(1)(iii)) and Market Maker orders in both assigned and non-assigned classes.³¹

The Exchange does not believe that the purpose of the proposed rule change, to provide priority to a Market Maker at the conclusion of an ISO PRIME Auction (among other Market Makers) that has also traded in the associated ISO sweep, is a new or novel concept, as the Exchange has an existing hierarchy of priority allocation based on priority quotes as discussed above.

Additionally, the Exchange believes its proposal to amend subsection (J) to clarify that the subsection does not apply to Auctions for ISO PRIME orders, promotes just and equitable principles of trade, and removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by removing any ambiguity in the Exchange's rulebook about the type of Auctions subsection (J)

³⁰ See Exchange Rule 517(b)(1)(i).

³¹ See Exchange Rule 514(e).

pertains to. Current subsection (J) provides additional clarifying language concerning the priority of allocations at the conclusion of a PRIME Auction that does not result in price improvement over the Exchange's disseminated price at the time the Auction began stating that, "resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority" The Exchange's proposal concerning allocation at the conclusion of an Auction for an ISO PRIME order provides a more nuanced and detailed hierarchy of allocation for Market Makers which would be applicable in the scenario contemplated by subsection (J). Therefore, the Exchange is proposing to exclude the application of subsection (J) to Auctions that are initiated by ISO PRIME orders. The Exchange believes this change eliminates any potential conflict regarding the application of the Exchange's rules and it is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

The Exchange believes this change will benefit market participants as it encourages Market Makers to participate in ISO PRIME Auctions and will provide additional incentive to Market Makers to provide their most aggressive quotes to the market throughout the trading session and may also result in increased liquidity being available during the Auction.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will benefit inter-market competition as it will allow the Exchange to compete with other markets that already allow an ISO order type in their price improvement mechanisms.³²

³² See supra note 28.

The Exchange's proposal to adopt an ISO PRIME order type benefits intra-market competition because it will enable the Exchange to provide market participants with an additional method of seeking price improvement through the PRIME. The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition as the Rules of the Exchange apply equally to all Exchange Members, and all Exchange Members may submit an ISO PRIME order.

The Exchange does not believe its proposal to further apportion Market Maker allocation at the conclusion of an Auction of an ISO PRIME order will impose any burden on intra-market competition but rather promotes intra-market competition as it provides further incentive to Market Makers to provide their most aggressive quotes to the market throughout the entire trading session and may increase liquidity available during a PRIME Auction. The proposal provides Market Makers with priority quotes on the Book, that participate in an associated ISO sweep, with priority over other Market Makers, which benefits intra-market competition as it also provides an incentive to Market Makers to provide their most aggressive quotes to the market during the entire trading session to be in position to participate in any potential ISO sweeps.

The Exchange does not believe its proposal will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, but rather will promote inter-market competition as it provides an additional incentive to Market Makers on the Exchange to provide their most aggressive quotes to the market at all times which could result in tighter quotes and greater liquidity being available in the market place, which would benefit all investors.

The Exchange believes its proposal to amend subparagraph (J) promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system because the proposed rule change provides additional detail

and further clarifies the rule. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

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 Act³³ and Rule 19b-4(f)(6)³⁴ 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.

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 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.

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 e-mail [to rule-comments@sec.gov](mailto:to-rule-comments@sec.gov). Please include File Number SR-MIAX-2020-31 on the subject line

Paper comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MIAX-2020-31. This file number should be included on the subject line if e-mail 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 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; 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-2020-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Vanessa Countryman
Secretary

³⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;
Deleted text is in [[brackets]]

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC Rules

Rule 515A. MIAX Price Improvement Mechanism (“PRIME”) and PRIME Solicitation Mechanism

(a) **Price Improvement Mechanism (“PRIME”).** PRIME is a process by which a Member may electronically submit for execution (“Auction”) an order it represents as agent (“Agency Order”) against principal interest, and/or an Agency Order against solicited interest.

(1) No change.

(2) **Auction Process.** Only one Auction may be ongoing at any given time in an option and Auctions in the same option may not queue or overlap in any manner. The System will reject an Agency Order if, at the time of receipt of the Agency Order, the option is in an Auction or is a component of a complex strategy that is the subject of a cPRIME Auction, as defined below, or a Complex Auction pursuant to Rule 518(d). The Auction may not be cancelled and shall proceed as follows:

(i) – (ii) No change.

(iii) **Order Allocation.** At the conclusion of the Auction, the Agency Order will be allocated at the best price(s) pursuant to the matching algorithm in effect for the class subject to the following:

(A) Such best prices include non-Auction quotes and orders.

(B) Priority Customer orders resting on the Book before, or that are received during, the Response Time Interval and Priority Customer RFR responses shall, collectively have first priority to trade against the Agency Order. The allocation of an Agency Order against the Priority Customer orders resting in the Book, Priority Customer orders received during the Response Time Interval, and Priority Customer RFR responses shall be in the sequence in which they are received by the System.

(C) Market Maker priority quotes and RFR responses from Market Makers with priority quotes will collectively have second priority. The allocation of Agency Orders against these contra sided quotes and RFR responses shall be on a size pro rata basis as defined in Rule 514(c)(2). Notwithstanding the foregoing, at the conclusion of an Auction for an ISO

PRIME order, the allocation of Agency Orders at the final Auction price shall be: (i) to Market Makers that traded in the associated ISO sweep, for up to the full size of such Market Makers' refreshed priority quotes, as well as any RFR responses submitted by those Market Makers; (ii) to those Market Makers with quotes at the Auction start price that were resting and any RFR responses submitted by those Market Makers at the final Auction price; and (iii) to all other Market Makers that did not trade in the associated ISO sweep and did not have resting quotes at the Auction start price with joining interest at the final Auction price that was submitted during the Auction. If two or more Market Makers are entitled to priority under (i), (ii) or (iii) above, priority will be afforded to the extent practicable on a pro-rata basis.

(D) – (I) No change.

(J) Notwithstanding (a)(2)(iii)(C), (D) above, provided the Auction is not for an ISO PRIME order, if the Auction does not result in price improvement over the Exchange's disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any Priority Customer order priority and the Initiating Member's priority (40%) have been satisfied. Any unexecuted balance on the Agency Order shall be allocated to RFR responses provided that those RFR responses will be capped to the size of the original order and that the Initiating Member may not participate on any such balance unless the Agency Order would otherwise go unfilled.

(K) – (M) No change.

(b) No change.

Interpretations and Policies:

.01 – .07 No change.

.08 [[Reserved]]ISO PRIME Order. An ISO PRIME order (“ISO PRIME”) is the transmission of two orders for crossing pursuant to this Rule without regard for better priced Protected Bids or Protected Offers (as defined in Rule 1400) because the Member transmitting the ISO PRIME to the Exchange has, simultaneously with the routing of the ISO PRIME, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PRIME auction price and has swept all interest in the Exchange's Book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PRIME order.
