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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 30

Amendment No. (req. for Amendments *)

Filing by MIAX Emerald, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

<input type="checkbox"/>	19b-4(f)(1)	<input type="checkbox"/>	19b-4(f)(4)
<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 Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
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Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Adopt new Exchange Rule 532, Order and Quote Protection Mechanisms and Risk Controls

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

Signature

Pursuant to the requirements of the Securities Exchange of 1934, MIAX Emerald, LLC has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date	11/10/2022	(Title *)	
By	Gregory P, Ziegler (Name *)	Senior Counsel	

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

Gregory Ziegler Date: 2022.11.10 14:38:50 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-EMERALD-2022-30 19b4.docx

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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SR-EMERALD-2022-30 Exhibit 1.docx

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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SR-EMERALD-2022-30 Exhibit 5.docx

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) MIAX Emerald, LLC (“MIAX Emerald” or the “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 (i) adopt new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls; and (ii) amend Exchange Rule 518, Complex Orders.

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 or duly authorized appointee pursuant to authority delegated by the MIAX Emerald Board of Directors on June 16, 2022. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority.

Questions and comments on the proposed rule change may be directed to Greg Ziegler, 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 adopt new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls.³ The Exchange proposes to adopt a new Managed Protection Override feature, a new Max Put Price Protection feature, and a new MIAX Strategy Price Protection (“MSPP”) in new proposed Rule 532. The Exchange notes that the proposed functionality is identical to functionality recently adopted by the Exchange’s affiliate, MIAX Options Exchange.⁴

The Exchange also proposes to relocate and amend paragraph (a), Vertical Spread Variance (“VSV”) Price Protection; paragraph (b), Calendar Spread Variance (“CSV”) Price Protection; and paragraph (c) VSV and CSV Price Protection, from Interpretations and Policies .05 of Exchange Rule 518 to new proposed Rule 532 as described below.

Additionally, the Exchange proposes to add a new Butterfly Spread Variance (“BSV”) Price Protection to proposed section (b)(2) of new proposed Rule 532.⁵ Further, the Exchange proposes to relocate paragraph (d), Implied Away Best Bid or Offer (“ixABBO”) Price Protection; paragraph (f), Complex MIAX Emerald Price Collar Protection; and paragraph (g), Market Maker Single Side Protection, from Interpretations and Policies .05 of Exchange Rule

³ The Exchange notes that proposed Rule 532 is identical to current Rule 532 on the MIAX Options Exchange.

⁴ See Securities Exchange Act Release No. 94353 (March 3, 2022), 87 FR 13339 (March 9, 2022) (SR-MIAX-2021-58).

⁵ The Exchange notes that the proposed functionality is identical to functionality recently adopted by the Exchange’s affiliate, MIAX Options. See Securities Exchange Act Release No. 94353 (March 3, 2022), 87 FR 13339 (March 9, 2022) (SR-MIAX-2021-58).

518 to new proposed Rule 532 in their entirety and without modification as section (b)(6), Complex MIAX Options Price Collar Protection; section (b)(7), Implied Away Best Bid or Offer (“ixABBO”) Price Protection; and section (b)(8), Market Maker Single Side Protection.⁶

The Exchange also proposes to amend Exchange Rule 518, Complex Orders, to change the value used in the calculation that determines whether a complex order is eligible to initiate a Complex Auction⁷ from the dcEBBO⁸ to the cNBBO.⁹ The Exchange notes that this proposed change is substantively identical (the only difference being the naming convention used by each exchange, whereas MIAX Options used the term dcMBBO¹⁰ prior to changing to the cNBBO

⁶ The proposed rulebook changes are identical to recent rulebook changes made by the Exchange’s affiliate, MIAX Options. See supra note 4.

⁷ Certain option classes, as determined by the Exchange and communicated to Members via Regulatory Circular, will be eligible to participate in a Complex Auction (an “eligible class”). Upon evaluation as set forth in subparagraph (c)(5) of Exchange Rule 518, the Exchange may determine to automatically submit a Complex Auction-eligible order into a Complex Auction. Upon entry into the System or upon evaluation of a complex order resting at the top of the Strategy Book, Complex Auction-eligible orders may be subject to an automated request for responses (“RFR”). See Exchange Rule 518(d).

⁸ The Displayed Complex MIAX Emerald Best Bid or Offer (“dcEBBO”) is calculated using the best displayed price for each component of a complex strategy from the Simple Order Book. For stock-option orders, the dcEBBO for a complex strategy will be calculated using the Exchange’s best displayed bid or offer in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(8).

⁹ The Complex National Best Bid or Offer (“cNBBO”) is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. See Exchange Rule 518(a)(2).

¹⁰ The Displayed Complex MIAX Best Bid or Offer (“dcMBBO”) is calculated using the best displayed price for each component of a complex strategy from the Simple Order Book. For stock-option orders, the dcMBBO for a complex strategy will be calculated using the Exchange’s best displayed bid or offer in the individual option component(s) and the NBBO in the stock component. See MIAX Options Exchange Rule 518(a)(8).

and MIAX Emerald uses the term dcEBBO) to a recent change made by the Exchange's affiliate, MIAX Options.¹¹

Additionally, the Exchange also proposes to relabel paragraph (e) of Interpretations and Policies .05 of Exchange Rule 518 to paragraph (a), and to make a number of non-substantive changes to update internal cross references throughout Exchange Rule 518 that have changed as a result of the proposed changes contained herein.

Background

The Exchange launched in December 2018, and at that time, the Exchange Rulebook contained complex order rules that were substantially similar to the rules of its affiliate exchange, MIAX Options. Since December 2018, MIAX Options has added functionality to grow its complex order business. The Exchange proposes to amend its rules to adopt functionality that currently exists on the MIAX Options Exchange. The Exchange seeks to align functionality to its affiliate, MIAX Options, where feasible. The proposed rule changes described below are identical, or substantively identical, to rule changes filed by the Exchange's affiliate, MIAX Options.¹²

Proposal

Managed Protection Override ("MPO")

¹¹ See Securities Exchange Act Release No. 94671 (April 11, 2022), 87 FR 22605 (April 15, 2022) (SR-MIAX-2022-13).

¹² See Securities Exchange Act Release No. 94353 (March 3, 2022), 87 FR 13339 (March 9, 2022) (SR-MIAX-2021-58) (Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Adopt Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls).

The Exchange proposes to adopt a new Managed Protection Override feature which will work in conjunction with certain risk protections on the Exchange. If a Member¹³ enables the Managed Protection Override then all risk protections connected to the Managed Protection Override feature are engaged. When a risk protection connected to the Managed Protection Override feature is triggered, and the Managed Protection Override feature is enabled, the order subject to the risk protection will be cancelled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁴

The Managed Protection Override will be available for the following risk protections: Vertical Spread Variance ("VSV") Price Protection, Calendar Spread Variance ("CSV") Price Protection, new proposed Butterfly Spread Variance ("BSV") Price Protection, Parity Price Protection, and new proposed Max Put Price Protection. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁵

Currently, when the Vertical Spread Variance ("VSV") Price Protection and the Calendar Spread Variance ("CSV") Price Protection are triggered the default behavior is to manage the order in accordance to Exchange Rule 518(c)(4).¹⁶ Additionally, when the Parity Price Protection is triggered the default behavior is to place the order on the Strategy Book¹⁷ at its

¹³ 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.

¹⁴ See MIAX Options Exchange Rule 532.

¹⁵ See id.

¹⁶ See Interpretations and Policies .05(c) of Exchange Rule 518.

¹⁷ The "Strategy Book" is the Exchange's electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

parity protected price.¹⁸ The Exchange believes that offering Members the option to have their orders either managed by the Exchange or cancelled gives Members greater flexibility and control over their orders while retaining risk protection functionality.

Max Put Price Protection (“MPPP”)

The Exchange proposes to adopt a new price protection for put¹⁹ options by establishing a maximum price at which a put option may trade. This proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.²⁰

To determine the maximum price the Exchange will add a pre-set value, the Put Price Variance (“PPV”), to the strike price of the Put option. The pre-set value will be determined by the Exchange²¹ and communicated to Members via Regulatory Circular. Buy orders that are priced through the maximum trading price limit will trade up to, and including, the maximum trading price limit, and will then be placed on the Book²² and managed to the appropriate trading price limit as described in Rule 515(c)(1)(ii), or cancelled if the Managed Protection Override

¹⁸ See Interpretations and Policies .01(g) of Exchange Rule 518.

¹⁹ The term “put” means an option contract under which the holder of the option has the right, in accordance to the terms and provisions of the option, to sell to the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

²⁰ See MIAX Options Exchange Rule 532(a)(1).

²¹ The Exchange proposes to use a pre-set value for the Put Price Variance of \$0.10 to align to other similar price protections on the Exchange. The Exchange believes this value provides an adequate price range for executions while offering price protection against potentially erroneous executions. See MIAX Emerald Regulatory Circular 2019-73, Complex Order Price Protection Pre-set Values (August 13, 2019) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Emerald_RC_2019_73.pdf, which establishes a \$0.10 pre-set value for Vertical Spreads and Calendar Spreads.

²² The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

(“MPO”) is enabled. Sell orders that are priced higher than the maximum trading price limit will be rejected.

A bid quote through the maximum trading price limit will trade up to, and including the maximum trading price limit, then will be placed on the Book and managed to the appropriate trading price limit as described in Rule 515(c)(1)(ii), or in the case of a bid eQuote, will be cancelled. An offer quote received that is higher than the maximum trading price limit is not rejected and will be placed on the Book and displayed. An offer eQuote greater than the maximum trading price limit will be cancelled.²³

Example Max Put Price Protection for a Buy Market Order

An order to Buy 10 XYZ Jan 5 Put @ Market is received.

The current market is:

EBBO²⁴ 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Max Put Price Protection = (Strike + PPV) = \$5.10

Because the Buy Order is priced through the Max Put Price Protection of \$5.10, the order is subject to management and posted to the order book at \$5.10.

EBBO 5.10 (10) x 5.50 (10)

Example Max Put Price Protection for a Sell Limit Order

An Order to Sell 10 XYZ Jan 5 Put @ \$5.25 is received.

²³ Orders and quotes are handled differently as orders may only be submitted by Electronic Exchange Members and quotes may only be submitted by Market Makers. The term “Electronic Exchange Member” or “EEM” means the holder of a Trading Permit who is not a Market Maker. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100. The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. See Exchange Rule 100.

²⁴ The term “EBBO” means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(10). The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

The current market is:

EBBO 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Put Option = XYZ Jan 5 Put

Max Put Price Protection = (Strike + PPV) = \$5.10

Because the Sell Order is priced higher than the Max Put Price Protection of \$5.10, the order is rejected.

Example Max Put Price Protection for a Buy Quote

A Quote to Buy 10 XYZ Jan 5 Put @ \$5.50 is received.

The current market is:

EBBO 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Put Option = XYZ Jan 5 Put

Max Put Price Protection = (Strike + PPV) = \$5.10

Because the Buy Quote is priced through the Max Put Price Protection of \$5.10, the quote posted to the order book and managed at \$5.10.

EBBO 5.10 (10) x 5.50 (10)

Example Max Put Price Protection for a Sell Quote

A Quote to Sell 10 XYZ Jan 5 Put @ \$5.25 is received.

The current market is:

EBBO 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Put Option = XYZ Jan 5 Put

Max Put Price Protection = (Strike + PPV) = \$5.10

Although the Sell Quote is priced higher than the Max Put Price Protection of \$5.10, sell Quotes priced higher than the Max Put Price Protection are not rejected and therefore it is posted to the order book at \$5.25.

EBBO 5.10 (10) x 5.25 (10)

The Exchange believes that offering Members the option to have orders either managed by the Exchange or cancelled when a risk protection is triggered gives Members greater flexibility and control over their orders while retaining the risk protection functionality. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.²⁵

Definitions

The Exchange proposes to include a "Definitions" section as paragraph (b)(1) in proposed Rule 532.²⁶ For the purposes of proposed paragraph (b) the Exchange will adopt the following definition of a Butterfly Spread in section (b)(1)(i): A "Butterfly Spread" is a three legged complex order with two legs to buy (sell) the same number of calls²⁷ (puts) and one leg to sell (buy) twice the number of calls (puts), all legs have the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. The strike price of each leg is equidistant from the next sequential strike price.²⁸

The Exchange also proposes to relocate the definition of Calendar Spread and Vertical Spread from Interpretations and Policies .05(b) and .05(a) of Exchange Rule 518 respectively, to proposed section (b)(1)(ii) and (b)(1)(iii) of proposed Rule 532 respectively. The definition of a

²⁵ See MIAX Options Exchange Rule 532(a)(1).

²⁶ The Exchange notes that the proposed rule text is identical to current rule text on MIAX Options. See MIAX Options Exchange Rule 532(b)(1).

²⁷ The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

²⁸ The Exchange notes that its proposed definition of a Butterfly Spread is identical to the definition of a Butterfly Spread on MIAX Options. See MIAX Options Exchange Rule 532(b)(1)(i).

Calendar Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.²⁹ The definition of a Vertical Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.³⁰ The Exchange notes its definition of a Calendar Spread and a Vertical Spread is not changing under this proposal.

Butterfly Spread Price Variance (“BSV”) Price Protection

The Exchange proposes to adopt a new price protection for Butterfly Spreads as section (b)(2) of new proposed Rule 532. This proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.³¹

A Butterfly Spread is comprised of three legs which have the same expiration date but different exercise prices, and are of the same type, either calls or puts, and are at equal strike intervals. The upper and lower strikes are each a buy (sell) and the middle strike is a sell (buy). The ratio of a butterfly spread will always be +1 -2 +1 or -1 +2 -1.

Butterfly Spread Example

Buy 1 XYZ April 50 Call
Sell 2 XYZ April 55 Calls
Buy 1 FYX April 60 Call

²⁹ The Exchange notes that its proposed definition of a Calendar Spread is identical to the definition of a Calendar Spread on MIAX Options. See MIAX Options Exchange Rule 532(b)(1)(ii).

³⁰ The Exchange notes that its proposed definition of a Vertical Spread is identical to the definition of a Vertical Spread on MIAX Options. See MIAX Options Exchange Rule 532(b)(1)(iii).

³¹ See MIAX Options Exchange Rule 532(b)(2).

The Exchange will establish a price protection for Butterfly Spreads by establishing a Butterfly Spread Variance. The Exchange proposes to adopt paragraph (b)(2)(i) to provide that, the minimum possible trading price limit of a Butterfly Spread is zero minus a pre-set value. The maximum possible trading price limit of a Butterfly Spread is the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price) plus a pre-set value. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³²

The Exchange proposes to adopt paragraph (b)(2)(ii) to provide that, if the execution price of a complex order would be outside of the limits set forth in paragraph (i) above (bid higher than the maximum trading price limit or offer lower than the minimum trading price limit), such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. Remaining interest will then will be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³³

The Exchange proposes to adopt paragraph (b)(2)(iii) to provide that, buy orders, sell orders, and offer eQuotes³⁴ with a limit price less than the minimum trading price limit will be

³² See MIAX Options Exchange Rule 532(b)(2)(i).

³³ See MIAX Options Exchange Rule 532(b)(2)(ii).

³⁴ The Exchange proposes to extend existing price protections to sell limit orders and offer eQuotes for certain complex order spread strategies similar to MIAX Options. See Exchange Act Release No. 95227 (July 8, 2022), 87 FR 42229 (July 14, 2022) (SR-MIAX-2022-25).

rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Sell orders with a limit price greater than the maximum trading price limit will be rejected. Offer eQuotes with a limit price greater than the maximum trading price limit will be cancelled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³⁵

The Exchange also proposes to adopt paragraph (b)(2)(iv) to provide that, the pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³⁶

The minimum value of a Butterfly Spread is zero and the maximum value is capped at the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price). To establish the maximum and minimum trading values, a configurable pre-set value is added to the maximum spread value and subtracted from the minimum spread value. The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.³⁷

Example

Butterfly Spread: Buy 1 October 50 Call, Sell 2 October 55 Calls, Buy 1 October 60 Call.

October 50 Call EBBO: \$11.00 x \$16.00

October 55 Call EBBO: \$6.00 x \$11.00

October 60 Call EBBO: \$1.00 x \$6.00

³⁵ See MIAX Options Exchange Rule 532(b)(2)(iii).

³⁶ See MIAX Options Exchange Rule 532(b)(2)(iv).

³⁷ The Exchange proposes to use a pre-set value of \$0.10 for Butterfly Spreads to align to the pre-set value which is used on the Exchange for Calendar Spreads and Vertical Spreads. See supra note 21.

The maximum spread value is the absolute value of the difference between the closest strikes or \$5.00 (60.00 - 55.00 or 55.00 - 50.00). The minimum spread value is zero. If the pre-set value is \$0.10 the maximum allowable price limit is then \$5.10 and the minimum allowable price limit is then -\$0.10. A strategy order to buy at \$5.15 will be managed on the Strategy Book at \$5.10.

Calendar Spread Variance (“CSV”) Price Protection

The Exchange proposes to (i) relocate the Calendar Spread Variance (“CSV”) Price Protection from Rule 518; (ii) amend the rule text to align to the rule text on the Exchange’s affiliate, MIAX Options; (iii) amend the rule text to enable the operation of the Managed Protection Override; and (iv) extend the existing price protection to include sell orders and offer eQuotes. Specifically, the Exchange proposes to relocate the Calendar Spread Variance (“CSV”) Price Protection from Interpretations and Policies .05(b) of Rule 518 to paragraph (b)(3) of new proposed Rule 532. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.³⁸

The Exchange proposes to adopt paragraph (i) to state that, the maximum possible value of a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus a pre-set value. The Exchange notes that this rule text is being relocated to Rule 532(b)(3)(i) but is not changing under this proposal.³⁹

Currently, the operation of the Calendar Spread Variance (“CSV”) and Vertical Spread Variance (“VSV”) price protection is described together in Interpretations and Policies .05(c) of Rule 518. The Exchange now proposes to describe the operation of the price protection

³⁸ See MIAX Options Exchange Rule 532(b)(3).

³⁹ See Interpretations and Policies .05(b)(1) of Rule 518.

separately for each strategy. Specifically, the Exchange proposes to adopt subparagraph (ii) to proposed Rule 532(b)(3) to state that, if the execution price of a complex order would be outside of the limit set forth in subparagraph (i) above (offers lower than the minimum trading price limit), such complex order will trade down to, and including, the minimum trading price limit. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁰

The Exchange also proposes to describe the handling of remaining interest within the rule text to provide additional detail and to incorporate the operation of the Managed Protection Override. Specifically, the Exchange proposes to adopt an additional provision to proposed Rule 532(b)(3)(ii) to provide that, remaining interest will then be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴¹

The Exchange proposes to adopt subparagraph (iii) to state that, buy orders, sell orders, and offer eQuotes⁴² with a limit price less than the minimum trading price will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Currently, the rule provides that orders to buy below the minimum trading price limit will be rejected.⁴³ The Exchange is proposing to extend this price protection to sell orders and offer

⁴⁰ See MIAX Options Exchange Rule 523(b)(3)(ii).

⁴¹ See id.

⁴² See supra note 34.

⁴³ See Interpretations and Policies .05(c) of Exchange Rule 518.

eQuotes under this proposal. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁴

The Exchange proposes to adopt subparagraph (iv) to state that the CSV Price Protection applies only to strategies in American-style option classes. The Exchange notes that this rule text is being relocated to proposed Rule 532(b)(3)(iv) but is not changing under this proposal.⁴⁵

The Exchange proposes to adopt subparagraph (v) to state that the pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁶

Vertical Spread Variance ("VSV") Price Protection

The Exchange proposes to (i) relocate Vertical Spread Variance ("VSV") Price Protection from Rule 518; (ii) amend the rule text to align to the rule text on the Exchange's affiliate, MIAX Options; (iii) amend the rule text to enable the operation of the Managed Protection Override; and (iv) extend the existing price protection to include sell orders and offer eQuotes. Specifically, the Exchange proposes to relocate the Vertical Spread Variance ("VSV") Price Protection from Interpretations and Policies .05(a) of Rule 518 to paragraph (b)(4) of new proposed Rule 532. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁷

The Exchange proposes to adopt subparagraph (i) to state that, the maximum possible trading price limit of the VSV is the difference between the two component strike prices plus a

⁴⁴ See MIAX Options Exchange Rule 532(b)(3)(iii).

⁴⁵ See Interpretations and Policies .05(c)(3) of Exchange Rule 518.

⁴⁶ See MIAX Options Exchange Rule 518(b)(3)(v).

⁴⁷ See MIAX Options Exchange Rule 532(b)(4).

pre-set value. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum trading price limit of \$5.00 plus a pre-set value. The minimum possible trading price limit of a Vertical Spread is always zero minus a pre-set value. The Exchange notes that this rule text is being relocated to Rule 532(b)(4)(i) but is not changing under this proposal.⁴⁸

Currently, the operation of the Calendar Spread Variance (“CSV”) and Vertical Spread Variance (“VSV”) price protection is described together in Interpretations and Policies .05(c) of Rule 518. The Exchange now proposes to describe the operation of the price protection separately for each strategy. Specifically, the Exchange proposes to adopt subparagraph (ii) to proposed Rule 532(b)(4) to state that, if the execution price of a complex order would be outside of the limits set forth in subparagraph (i) above (bid higher than the maximum trading price limit or offer lower than the minimum trading price limit), such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.⁴⁹

The Exchange also proposes to describe the handling of remaining interest within the rule text to provide additional detail and to incorporate the operation of the Managed Protection Override. Specifically, the Exchange proposes to adopt an additional provision to proposed Rule 532(b)(4)(ii) to provide that, remaining interest will then be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the

⁴⁸ See Interpretations and Policies .05(a)(1) of Rule 518.

⁴⁹ See MIAX Options Exchange Rule 532(b)(4)(ii).

Managed Protection Override is enabled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁵⁰

The Exchange proposes to adopt subparagraph (iii) to state that, buy orders, sell orders, and offer eQuotes⁵¹ with a limit price less than the minimum trading price limit will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Sell orders with a limit price greater than the maximum trading price limit will be rejected. Offer eQuotes with a limit price greater than the maximum trading price limit will be cancelled.

Currently, the rule provides that orders to buy below the minimum trading price limit and orders to sell above the maximum trading price limit will be rejected by the System.⁵² The Exchange is proposing to extend this price protection to sell orders and offer eQuotes under this proposal.

The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁵³

The Exchange also proposes to adopt subparagraph (iv) to state that, the pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.

The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁵⁴

MIAX Strategy Price Protection ("MSPP")

⁵⁰ See id.

⁵¹ See supra note 34.

⁵² See Interpretations and Policies .05(c) of Exchange Rule 518.

⁵³ See MIAX Options Exchange Rule 532(b)(4)(iii).

⁵⁴ See MIAX Options Exchange Rule 532(b)(4)(iv).

The Exchange also proposes to introduce a MIAX Strategy Price Protection (“MSPP”) which will establish a maximum protected price for buy orders and a minimum protected price for sell orders. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.⁵⁵

To determine the maximum price for a buy order the Exchange will add a pre-set value, the MIAX Strategy Price Protection Variance (“MSPPV”),⁵⁶ to the offer side value of the cNBBO.⁵⁷ To determine the minimum protected price for sell orders the Exchange will subtract the MSPPV value from the bid side value of the cNBBO. The MSPPV value will be determined by the Exchange and communicated to Members via Regulatory Circular. For market orders⁵⁸ the functional limit price will be the MSPP. All Day⁵⁹ and GTC⁶⁰ complex orders are eligible

⁵⁵ See MIAX Options Exchange Rule 532(b)(5).

⁵⁶ The Exchange proposes to use a pre-set value of \$2.50 for the MIAX Strategy Price Protection Variance (“MSPPV”). The Exchange believes this value provides an adequate price range for executions while offering price protection against potentially erroneous executions and is identical to the value currently in use for the MSPP on the MIAX Options Exchange. See MIAX Options Exchange Regulatory Circular 2022-16, MIAX Order Price Protection Pre-set Values (March 4, 2022) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Options_RC_2022_16.pdf.

⁵⁷ The cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. For stock-option orders, the cNBBO for a complex strategy will be calculated using the NBBO in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(2).

⁵⁸ A market order is an order to buy or sell a stated number of option contracts at the best price available at the time of execution. See Exchange Rule 516(a).

⁵⁹ A Day Limit Order is an order to buy or sell which, if not executed, expires at the end of trading in the security on the day on which it was entered. See Exchange Rule 516(k).

⁶⁰ A Good ‘til Cancelled or “GTC” Order is an order to buy or sell which remains in effect until it is either executed, cancelled or the underlying option expires. See Exchange Rule 516(l).

for the MIAX Strategy Price Protection. cIOC orders,⁶¹ cAOC orders,⁶² cIOC eQuotes,⁶³ and cAOC eQuotes,⁶⁴ are not eligible for the MIAX Strategy Price Protection,⁶⁵ nor are crossing orders.⁶⁶ The MIAX Strategy Price Protection is an additional price protection feature provided to all Members of the Exchange.

⁶¹ A Complex Immediate-or-Cancel or “cIOC” order is a complex order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. See Exchange Rule 518(b)(4).

⁶² A Complex Auction-or-Cancel or “cAOC” order is a complex limit order used to provide liquidity during a specific Complex Auction with a time in force that corresponds with that event. cAOC orders are not displayed to any market participant, and are not eligible for trading outside of the event. A cAOC order with a size greater than the aggregate auctioned size (as defined in Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. See Exchange Rule 518(b)(3).

⁶³ A “Complex Immediate or Cancel eQuote” or “cIOC eQuote,” which is a complex eQuote with a time-in-force of IOC that may be matched with another complex quote or complex order for an execution to occur in whole or in part upon receipt into the System. cIOC eQuotes will not: (i) be executed against individual orders and quotes resting on the Simple Order Book; (ii) be eligible to initiate a Complex Auction or join a Complex Auction in progress; (iii) rest on the Strategy Book; or (iv) be displayed. Any portion of a cIOC eQuote that is not executed is immediately cancelled. See paragraph (c)(2) of Interpretations and Policies .02 of Exchange Rule 518.

⁶⁴ A “Complex Auction or Cancel eQuote” or “cAOC eQuote,” which is an eQuote submitted by a Market Maker that is used to provide liquidity during a specific Complex Auction with a time in force that corresponds with the duration of the Complex Auction. A cAOC eQuote with a size greater than the aggregate auctioned size (as defined in Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. cAOC eQuotes will not: (i) be executed against individual orders and quotes resting on the Simple Order Book; (ii) be eligible to initiate a Complex Auction, but may join a Complex Auction in progress; (iii) rest on the Strategy Book; or (iv) be displayed. See paragraph (c)(1) of Interpretations and Policies .02 of Exchange Rule 518.

⁶⁵ The Exchange does not believe that these order and quote types require the additional price protection afforded by the MSPP as these orders and quotes do not rest on the Strategy Book but are either executed immediately or cancelled. See supra notes 61, 62, 63, and 64.

⁶⁶ The Exchange does not believe that crossing orders require the additional price protection afforded by the MSPP as the execution price of these orders is pre-established. A Complex Customer Cross or “cC2C” Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price

If the MSPP is priced less aggressively than the limit price of a complex order (i.e., the MSPP is less than the complex order's bid price for a buy order, or the MSPP is greater than the complex order's offer price for a sell order), or if the order is a complex market order, the order will be (i) executed up to, and including, its MSPP for buy orders; or (ii) executed down to, and including, its MSPP for sell orders. Any unexecuted portion of such a complex order will be cancelled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁶⁷

If the MSPP is priced equal to, or more aggressively than, the limit price of a complex order (i.e., the MSPP is greater than the complex order's bid price for a buy order, or the MSPP is less than the complex order's offer price for a sell order) the order will be (i) displayed and/or executed up to, and including, its limit price for buy orders; or (ii) displayed and/or executed down to, and including, its limit price for sell orders. Any unexecuted portion of such a complex order: (A) will be subject to the cLEP as described in subsection (e) of Exchange Rule 518; (B) may be submitted, if eligible, to the managed interest process described in Exchange Rule 518(c)(4); or (C) may be placed on the Strategy Book at its limit price. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁶⁸

and for the same quantity. Trading of cC2C Orders is governed by Rule 515(h)(3). See Exchange Rule 518(b)(5). A Complex Qualified Contingent Cross or "cQCC" Order is comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01, coupled with a contra-side complex order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(h)(4). See Exchange Rule 518(b)(6).

⁶⁷ See MIAX Options Exchange Rule 532(b)(5)(v).

⁶⁸ See MIAX Options Exchange Rule 532(b)(5)(vi).

The MSPP is designed to work in conjunction with other features on the Exchange such as the Complex Liquidity Exposure (“cLEP”) Process. The Exchange introduced the Complex Liquidity Exposure Process (cLEP) in 2018.⁶⁹ The cLEP process was designed for complex orders and complex eQuotes that violate their Complex MIAX Price Collar (“MPC”) price.⁷⁰ The MPC price protection feature is an Exchange-wide mechanism under which a complex order or complex eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System⁷¹ (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in \$0.01 increments (the “MPC Setting”), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the “MPC Price”).⁷² The MPC Price is established (i) upon receipt of the complex order or eQuote during free trading, or (ii) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or (iii) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretations and Policies .05(e)(1) of this Rule, no longer exists.⁷³ Once established the MPC Price will not change during the life of the complex order or eQuote. If the MPC Price is priced less aggressively than the limit price of the

⁶⁹ See Securities Exchange Act Release No. 85346 (March 18, 2019), 84 FR 10854 (March 22, 2019) (SR-EMERALD-2019-14).

⁷⁰ The Exchange notes that there are no changes to the Complex MIAX Price Collar functionality under this proposal.

⁷¹ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁷² See Exchange Rule 518.05(f).

⁷³ See Exchange Rule 518.05(f)(3).

complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote's bid price for a buy, or the MPC Price is greater than the complex order or eQuote's offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price.⁷⁴

A complex order or complex eQuote that would violate its MPC Price begins a cLEP Auction.⁷⁵ The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all subscribers of the Exchange's data feeds.⁷⁶ Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii)-(v) of Rule 518, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation Process.⁷⁷

The Reevaluation process occurs at the conclusion of a cLEP Auction where the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). Liquidity with an original limit price equal to or less aggressive than the New MPC Price is no longer subject to the MPC price protection. Liquidity with an original limit price more aggressive than the New MPC Price (or market order liquidity) is subject to the MPC price protection feature using the New MPC Price. In certain scenarios this could lead to a cycle of cLEP Auctions and ever increasing MPC price protection prices.

⁷⁴ See Exchange Rule 518.05(f)(5).

⁷⁵ See Exchange Rule 518(e).

⁷⁶ Id.

⁷⁷ Id.

The operation of the MIAX Strategy Price Protection feature during a cLEP Auction can be seen in the following example.

Example

MPC: 0.25

The Exchange has one order (Order 1) resting on its Strategy Book: +1 component A, -1 component B:

The current market is:

EBBO component A: 4.00 (10) x 6.00 (10)

EBBO component B: 1.00 (10) x 2.50 (10)

NBBO⁷⁸ component A: 4.05 (10) x 4.15 (10)

NBBO component B: 2.30 (10) x 2.40 (10)

icEBBO:⁷⁹ 1.50 (10) x 5.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

The price protection is:

MSPPV: 2.50

Buy MSPPV: $1.85 + .250 = 4.35$

Sell MSPPV: $1.65 - 2.50 = -.85$

Order 1 to sell 10 at 1.90 is received and updates the icEBBO.

icEBBO: 1.50 (10) x 1.90 (10)

The Exchange receives a new order (Order 2) to buy 30 at the Market. For Market Orders the functional limit is the MSPP or 4.35.

⁷⁸ The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor (“SIP”). See Exchange Rule 518(a)(14).

⁷⁹ The icEBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including using displayed and non-displayed trading interest. For stock-option orders, the icEBBO for a complex strategy will be calculated using the best price (whether displayed or non-displayed) on the Simple Order Book in the individual option component(s), and the NBBO in the stock component. See Exchange Rule 518(a)(12).

Order 2 buys 10 from Order 1 at \$1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its MPC protected price of \$2.10 (cNBO of 1.85 + 0.25) and is posted at that price on the Strategy Book and the cLEP Auction begins.

During the cLEP Auction the Exchange receives a new order (Order 3) to sell 10 at 2.10. This order locks the current same side Book Price of \$2.10. At the end of the auction, Order 3 sells 10 to Order 2 at \$2.10, filling Order 3.

Order 2 reprices to the next MPC protected price of \$2.35 (initial MPC of 2.10 + 0.25) and is posted at that price on the Strategy Book and the next cLEP Auction begins.

During the next cLEP Auction the Exchange does not receive any interest to sell. At the end of the auction Order 2 is reevaluated and reprices to the next MPC protected price of 2.60 (previous MPC of 2.35 + 0.25) and is posted at that price on the Strategy Book and the next cLEP Auction begins.

During all subsequent cLEP Auctions the Exchange does not receive any interest to sell. At the end of each subsequent auction, Order 2 is reevaluated and repriced to the next MPC protected price as seen below until the MSPP protected price is equal to or less than the MPC protected price.

3rd MPC evaluation $2.60 + 0.25 = 2.85$

4th MPC evaluation $2.85 + 0.25 = 3.10$

5th MPC evaluation $3.10 + 0.25 = 3.35$

6th MPC evaluation $3.35 + 0.25 = 3.60$

7th MPC evaluation $3.60 + 0.25 = 3.85$

8th MPC evaluation $3.85 + 0.25 = 4.10$

9th MPC evaluation $4.10 + 0.25 = 4.35$

At the end of the final auction, because the MSPP protected price of 4.35 is equal to the MPC protected price of 4.35, Order 2 is not repriced to the next MPC and is cancelled subject to MSPP.

icEBBO: 4.35 (10) x 5.00 (10)

The Exchange proposes to amend Exchange Rule 518(e), Reevaluation, to account for the introduction of a protected price into the cLEP process. Currently, at the conclusion of a cLEP

Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The Exchange proposes to amend this sentence to state that, at the conclusion of a cLEP Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price or protected price more aggressive than the existing MPC Price. Additionally, the current rule text provides that, liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518. The Exchange proposes to amend this sentence to provide that, liquidity with an original limit price or protected price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518.

The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the “New MPC Price”). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price or protected price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of this Rule. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

Additionally, the Exchange proposes to introduce the protected price into the allocation process at the end of a cLEP Auction. The current rule, Allocation at the Conclusion of a Complex

Liquidity Exposure Auction, provides that, orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule (518).

The Exchange now proposes to amend this provision to state that, orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, orders subject to the MIAX Strategy Price Protection (“MSPP”) (as described in Rule 532(b)(5)) are allocated using their protected price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule (518).

The Exchange also proposes to amend Rule 518(e), Allocation at the Conclusion of a Complex Liquidity Exposure Auction, to provide that orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, orders subject to MSPP are allocated using their protected price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule.

Parity Price Protection

The Exchange proposes to amend paragraph (g), Parity Price Protection, of Interpretations and Policies .01 of Exchange Rule 518, to add a reference to the Managed Protection Override. The rule, as proposed to be amended, will provide that Married-Put and Buy-Write interest to sell (sell put and sell stock; or sell call and buy stock) that is priced below the parity protected price for the strategy will be placed on the Strategy Book at the parity protected price for the strategy, or cancelled if the Managed Protection Override is enabled. This provision allows the Parity Price Protection functionality to operate in conjunction with the Managed Protection Override feature which cancels an order when its price protection feature is

triggered. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁸⁰ The Exchange believes that offering Members the option to have orders either managed by the Exchange or cancelled when a risk protection is triggered gives Members greater flexibility and control over their orders while retaining the risk protection functionality.

IIP/URIP/RIP

Currently the Exchange uses the following methods to determine whether a complex order is qualified to initiate a Complex Auction:

Initial Improvement Percentage ("IIP")

For complex orders received prior to the opening of all individual components of a complex strategy, the System⁸¹ will calculate an IIP value, which is a defined percentage of the current dcEBBO bid/ask differential once all of the components of the complex strategy have opened. Such percentage will be defined by the Exchange and communicated to Members⁸² via Regulatory Circular.⁸³ If a Complex Auction-eligible order is priced equal to, or improves, the

⁸⁰ See Interpretations and Policies .01(g) of MIAX Options Exchange Rule 518.

⁸¹ The term "System" means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁸² 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.

⁸³ See MIAX Emerald Regulatory Circular 2019-68, Complex Auction Initiating Percentages (August 13, 2019) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Emerald_RC_2019_68.pdf.

IIP value⁸⁴ and is also priced equal to, or improves, other complex orders and/or quotes resting at the top of the Strategy Book, the complex order will be eligible to initiate a Complex Auction.⁸⁵

Upon Receipt Improvement Percentage (“URIP”)

Upon receipt of a complex order when the complex strategy is open, the System will calculate a URIP value, which is a defined percentage of the current dcEBBO bid/ask differential. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular.⁸⁶ If a Complex Auction-eligible order is priced equal to, or improves, the URIP value⁸⁷ and is also priced to improve other complex orders and/or quotes resting at the top of the Strategy Book, the complex order will be eligible to initiate a Complex Auction.⁸⁸

Re-evaluation Improvement Percentage (“RIP”)

Upon evaluation of a complex order resting at the top of the Strategy Book, the System will calculate a Re-evaluation Improvement Percentage (“RIP”) value, which is a defined percentage of the current dcEBBO bid/ask differential. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular.⁸⁹ If a complex order resting

⁸⁴ The Initial Improvement Percentage (“IIP”) is currently set to 70%. See Id.

⁸⁵ See Policy .03(a) of Exchange Rule 518.

⁸⁶ See supra note 83.

⁸⁷ The Upon Receipt Improvement Percentage (“URIP”) is currently set to 70%. See supra note 83.

⁸⁸ See Policy .03(b) of Exchange Rule 518.

⁸⁹ See supra note 83.

at the top of the Strategy Book is priced equal to, or improves, the RIP value,⁹⁰ the complex order will be eligible to initiate a Complex Auction.⁹¹

Proposal

The Exchange now proposes to replace the dcEBBO bid/ask differential with the cNBBO⁹² bid/ask differential in the calculations described above for IIP, URIP, and RIP, respectively. The dcEBBO is calculated using the displayed price for each component of a complex strategy from the Simple Order Book⁹³ on the Exchange, whereas the cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy.⁹⁴ The Exchange believes that using the cNBBO will reduce the number of auctions generated by the Exchange System which do not receive responses or result in price improvement for the initiating order. The cNBBO, which includes the best away markets as well as the EBBO for each component of a complex strategy, will always be equal to or better than the dcEBBO, which includes the EBBO for each component of a complex strategy. The component prices contained in the cNBBO provide a more accurate indicator of the overall market interest in each component, and therefore, provides a more accurate indicator of the

⁹⁰ The Reevaluation Improvement Percentage (“RIP”) is currently set to 80%. See supra note 83.

⁹¹ See Policy .03(c) of Exchange Rule 518.

⁹² The Complex National Best Bid or Offer (“cNBBO”) is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. For stock-option orders, the cNBBO for a complex strategy will be calculated using the NBBO in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(2).

⁹³ The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

⁹⁴ See supra note 9.

overall market interest in the complex strategy. The Exchange believes that this will result in a reduction of the overall number of Complex Auctions initiated on the Exchange but will in turn increase the percentage of Complex Auctions that result in price improvement, as the auction start price will be more closely aligned to prevailing market prices. The Exchange notes that this proposal is substantively identical (the only difference being the naming convention used by each exchange, whereas MIAX Options used the dcMBBO prior to changing to the cNBBO and MIAX Emerald uses the dcEBBO) to rules currently operative on the Exchange's affiliate, MIAX Options.⁹⁵

Miscellaneous

The Exchange proposes to rename paragraph (e), Wide Market Conditions, SMAT Events and Halts, of Interpretations and Policies .05 of Exchange Rule 518, to new paragraph (a), as a result of the removal of the preceding paragraphs (a), (b), (c), and (d) from Interpretations and Policies .05 of Exchange Rule 518, which have been relocated to new proposed Rule 532. Additionally, the Exchange proposes to make a number of non-substantive changes in Rule 518 to correct internal cross references that have changed as a result of this proposal.

Implementation

The Exchange will announce the implementation of these changes in a 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

⁹⁵ See Interpretations and Policies .03(a),(b), and (c) of MIAX Options Exchange Rule 518.

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act⁹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹⁷ 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.

Managed Protection Override

The Exchange believes that the Managed Protection Override feature promotes just and equitable principles of trade, 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 providing a mechanism by which Members may determine the way their orders are handled when a risk protection is triggered. The Exchange believes that enabling the Butterfly Spread Variance (“BSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, Vertical Spread Variance (“VSV”) Price Protection, Parity Price Protection, and MAX Put Price Protection, to work in conjunction with the Managed Protection Override benefits Members by providing Members an option as to the treatment of their order when a risk protection is engaged. The Exchange believes that it has an effective way to manage orders on the Exchange so that they do not execute at potentially erroneous prices, however the Exchange believes that giving Members the option to have their orders cancelled if a risk protection is triggered protects investors and the public interest. Cancelling an order allows Members to make a decision on

⁹⁶ 15 U.S.C. 78f(b).

⁹⁷ 15 U.S.C. 78f(b)(5).

what to do with their order based on the then current market conditions. A Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanisms of a free and open market by providing Members with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors. Additionally, the Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁹⁸

Max Put Price Protection

The Exchange believes that the proposed Max Put Price Protection feature promotes just and equitable principles of trade, 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 providing a risk protection mechanism that establishes a maximum price at which a put option may trade. The Max Put Price Protection is designed to prevent trades from occurring at potentially unwanted or erroneous prices. Additionally, the Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁹⁹

Butterfly Spread Price Variance ("BSV") Price Protection

The Exchange believes that the proposed Butterfly Spread Price Variance ("BSV") Price Protection feature promotes just and equitable principles of trade, removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general,

⁹⁸ See MIAX Options Exchange Rule 532.

⁹⁹ See MIAX Options Exchange Rule 532(a)(1).

protects investors and the public interest by providing a risk protection mechanism that will establish minimum and maximum trading values to prevent an order from trading at a potentially unwanted or erroneous price.

Additionally, the Exchange believes that making the Butterfly Spread Variance (“BSV”) Price Protection eligible for the Managed Protection Override feature benefits Members as it gives them the option to have their order cancelled if the Butterfly Spread Variance Price Protection is triggered and the Managed Protection Override feature is enabled. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Calendar Spread Variance (“CSV”) Price Protection / Vertical Spread Variance (“VSV”) Price Protection

The Exchange believes that amending the Calendar Spread Variance (“CSV”) and the Vertical Spread Variance (“VSV”) Price Protection feature to enable the Managed Protection Override feature promotes just and equitable principles of trade, removes impediments to and perfects the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest by providing Members the option of having the Exchange manage their order when a price protection is triggered, or having their order cancelled when a price protection is triggered, if the Managed Protection Override is enabled. The Exchange believes cancelling an order in this scenario benefits Members as it allows them to

make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

The Exchange believes that amending the Calendar Spread Price Variance (“CSV”) and Vertical Spread Variance (“VSV”) Price Protection protects investors and the public interest and helps maintain fair and orderly markets by mitigating potential risks associated with market participants entering sell orders and offer eQuotes at clearly unintended prices and trading at prices that are extreme and potentially erroneous. Extending the existing price protections to sell orders and offer eQuotes will assist in the maintenance of a fair and orderly market and protect investors by rejecting sell orders and offer eQuotes that are priced to sell below the minimum trading limit established by the Exchange. The Exchange believes this will promote just and equitable principles of trade and ultimately protect investors. Additionally, the Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.¹⁰⁰

MIAX Strategy Price Protection (“MSPP”)

The Exchange believes that the adoption of the MIAX Strategy Price Protection (“MSPP”) promotes just and equitable principles of trade, and facilitates transactions in securities, removes impediments to and perfects the mechanisms of a free and open market and a national market

¹⁰⁰ See MIAX Options Exchange Rule 532(b)(3)(iii) and (b)(4)(iii).

system and, in general, protects investors and the public interest, by providing an order price protection that establishes a minimum and maximum trading value to prevent potentially unwanted or erroneous executions from occurring. The Exchange believes that when the MSPP is priced less aggressively than the limit price of the complex order that executing the order, up to and including its MSPP for buy orders, or down to and including its MSPP for sell orders, and cancelling any unexecuted portion of the order, protects investors and the public interest. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors. Additionally, this proposed change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁰¹

Parity Price Protection

The Exchange believes that amending Interpretations and Policies .01(g), Parity Price Protection, of Exchange Rule 518, to provide that an order will be cancelled if the Managed Protection Override is enabled promotes just and equitable principles of trade, and facilitates transactions in securities, 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 providing Members and the public additional detail and clarity in the Exchange's rules. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion.

¹⁰¹ See MIAX Options Exchange Rule 532(b)(5).

Additionally, the Exchange notes that this proposed change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁰²

Miscellaneous

The Exchange believes the proposed change to correct internal cross references within the Exchange's Rulebook 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 proposal ensures that the Exchange's rules are accurate. The Exchange notes that the proposed changes to correct internal cross references and to make minor non-substantive edits does not alter the application of each rule. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and national market system. In particular, the Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules. 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 proposal promotes just and equitable principles of trade, 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 providing new price protection features for MIAX Emerald Members. Additionally, the description of the System's functionality is designed to promote just and equitable principles of trade by providing a clear and accurate description to all participants of how the price protection process is applied and should assist investors in making decisions concerning their orders. Further, the Exchange believes that the price protection features and functionality provides market participants with an

¹⁰² See Interpretations and Policies .01(g) of MIAX Options Exchange Rule 518.

appropriate level of risk protection to their orders and contributes to the maintenance of a fair and orderly market.

The Exchange believes that its proposal to use the cNBBO instead of the dcEBBO in the calculation used to determine whether a complex order is qualified to initiate a Complex Auction 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 as using the cNBBO provides a better measure of the current market and is more likely to result in price improvement for the initiating order as the cNBBO is calculated using the NBBO (which in turn is calculated by taking the best prices of all exchanges into consideration) for each component of a complex strategy to establish the best net bid and offer for a complex strategy, and therefore is more representative of the prevailing market interest and market prices. The example below demonstrates the difference between the current and proposed calculations.

Example 1

(Current Auction Evaluation Based on dcEBBO)

Reevaluation Improvement Percentage (RIP) for a complex order at the best price on the Strategy Book¹⁰³ subject to dcEBBO.

RIP = 80%

EBBO:¹⁰⁴ Option A 2.00 x 2.10

EBBO: Option B 1.05 x 1.20

Strategy +1A -1B = (2.00-1.20) x (2.10-1.05)

¹⁰³ The “Strategy Book” is the Exchange’s electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

¹⁰⁴ The term “EBBO” means the best bid or offer on the Exchange. See Exchange Rule 100.

$$\text{dcEBBO} = 0.80 \times 1.05$$

A complex order is resting on the Strategy Book to buy 1 Strategy at a price of 1.00. Upon reevaluation of the Strategy Book it is determined the complex order to buy at 1.00 improves the Strategy bid by 0.20; (1.00-0.80). The improvement percentage is then calculated as the 0.20 improvement divided by the Strategy bid/offer spread; (1.05-0.80), in this case resulting in 80% improvement. Because the 80% improvement equals the configured RIP of 80% an auction is initiated.

Example 2

(Proposed Auction Evaluation Based on cNBBO)

Reevaluation Improvement Percentage (RIP) for a complex order at the best price on the Strategy Book subject to cNBBO.

$$\text{RIP} = 80\%$$

$$\text{NBBO: Option A } 2.05 \times 2.10$$

$$\text{NBBO: Option B } 1.05 \times 1.10$$

$$\text{Strategy } +1A -1B = (2.05-1.10) \times (2.10-1.05)$$

$$\text{cNBBO} = 0.95 \times 1.05$$

A complex order is resting on the Strategy Book to buy 1 Strategy at a price of 1.00. Upon reevaluation of the Strategy Book it is determined the complex order to buy at 1.00 improves the Strategy bid by 0.05; (1.00-0.95). The improvement percentage is then calculated as the 0.05 improvement divided by the Strategy bid/offer spread; (1.05-0.95), in this case resulting in 50% improvement. Because the 50% improvement is less than the configured RIP of 80% an auction is not initiated.

The Exchange believes that using the cNBBO in its calculation to determine whether a complex order is qualified to initiate a Complex Auction will reduce the number of Complex Auctions initiated by the Exchange System which do not receive responses. Using the cNBBO instead of the dcEBBO better reflects the current state of the market and may result in Complex Auctions that receive responses which in turn may result in price improvement for the initiating order.

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.

Intra-Market Competition

Specifically, the Exchange does not believe that the proposed changes will impose any burden on intra-market competition as the rules of the Exchange apply equally to all MIAX participants. The Butterfly Spread Variance (“BSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, and Vertical Spread Variance (“VSV”) Price Protection, Parity Price Protection, and Max Put Price protection are all available for any MIAX Emerald Member that submits orders or quotes to the Exchange. Any MIAX Member transacting on the Exchange will benefit from the risk protections proposed herein. Additionally, any Member may elect to enable the Managed Protection Override feature to allow the Exchange to cancel their orders when a risk protection is triggered.

Additionally, the Exchange does not believe that the proposed rule change to replace the dcEBBO value with the cNBBO value in the calculation used to determine whether a complex order is qualified to initiate a Complex Auction will impose any burden on intra-market competition. As all complex orders submitted to the Exchange will be uniformly evaluated under the Exchange’s rules, and the rules of the Exchange apply equally to all Members.

Inter-Market Competition

The Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing additional price protection functionality and further enhancements and provide additional transparency to the Exchange’s risk protections. The Exchange’s proposal may promote inter-market competition as

the Exchange's proposal adds additional price protection features and functionality that may attract additional order flow to the Exchange, thereby promoting inter-market competition.

The Exchange believes its proposal to adopt to use the cNBBO in the calculation to determine whether to initiate a Complex Auction better reflects current market prices and may result in the initiation of Complex Auctions which result in price improvement for the initiating order. The Exchange believes the proposed rule change will enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. Additionally, the Exchange believes that this change will result in a reduction of the overall number of Complex Auctions initiated on the Exchange but will in turn increase the percentage of auctions that result in price improvement, as the auction start price will be more closely aligned to prevailing market prices.

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 Act¹⁰⁵ and Rule 19b-4(f)(6)¹⁰⁶ 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

¹⁰⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁰⁶ 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. The rule changes proposed herein are identical,¹⁰⁷ or substantively identical as noted herein,¹⁰⁸ to rules currently operative on the Exchange's affiliate, MIAX Options.

Managed Protection Override

The Exchange believes its proposal to adopt a new Managed Protection Override feature does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest by providing addition flexibility and control over the disposition of orders submitted to the Exchange. The Managed Protection Override feature provides Members the option of having their orders cancelled or managed by the Exchange should a select risk protection be triggered. The Exchange believes that it has an effective way to manage orders on the Exchange so that they do not execute at potentially erroneous prices, however the Exchange believes that giving Members the option to have their orders cancelled if a risk protection is triggered promotes the protection of investors and the public interest. If a Member elects to enable the Managed Protection Override feature they are then able to make a decision on what to do with a cancelled order based on the then current market conditions and may choose to re-submit the order at the same or different limit price.

The Exchange does not believe that the Managed Protection Override feature imposes any significant burden on intra-market competition as every Member of the Exchange has the opportunity to enable the Managed Protection Override and the operation of the functionality is uniformly applied. Additionally, the Exchange does not believe that the Managed Protection

¹⁰⁷ See supra notes 14, 20, 31, 38, 47, 55, and 80.

¹⁰⁸ See supra note 95.

Override feature imposes any significant burden on inter-market competition as the Managed Protection Override functionality is a risk protection management feature for Members of the Exchange and not functionality that imposes a burden on competition. The Exchange notes that other options exchanges are free to adopt similar functionality.

As proposed the Managed Protection Override feature will be available for Butterfly Spread Variance (“BSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, Vertical Spread Variance (“VSV”) Price Protection, Parity Price Protection, and Max Put Price Protection. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.¹⁰⁹

Max Put Price Protection

The Exchange believes its proposal to adopt a new Max Put Price Protection does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest by providing an addition risk protection feature to prevent the execution of orders at potentially unwanted or erroneous prices.

The Exchange does not believe that the Max Put Price Protection functionality imposes any significant burden on intra-market competition as the Max Put Price Protection feature will be applied uniformly to all orders on the Exchange. Additionally, the Exchange does not believe that the Max Put Price Protection functionality imposes any significant burden on inter-market competition as the Max Put Price Protection functionality is a risk protection management feature for Members of the Exchange and not functionality that imposes any burden on

¹⁰⁹ See MIAX Options Exchange Rule 532.

competition. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹¹⁰

Butterfly Spread Variance

The Exchange believes that the Butterfly Spread Price Variance ("BSV") Price Protection feature does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest by providing a risk protection mechanism that will establish minimum and maximum trading values to prevent an order from trading at a potentially unwanted or erroneous price.

The Exchange does not believe that the establishment of a Butterfly Spread Variance Price Protection imposes a significant burden on competition. The Butterfly Spread Variance Price Protection will be applied uniformly to all Members' orders. Additionally, the Exchange does not believe that the Butterfly Spread Variance Price Protection imposes a significant burden on inter-market competition as the Butterfly Spread Variance Price Protection is not functionality that is being implemented for competitive purposes. Alternatively, the Exchange's proposal could enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. The Exchange notes that other exchanges have comparable price protections in place for certain complex strategies.¹¹¹

Calendar Spread Variance ("CSV") Price Protection / Vertical Spread Variance ("VSV") Price Protection

The Exchange believes that extending the existing CSV and VSV price protections to include sell orders and offer eQuotes does not significantly affect the protection of investors or

¹¹⁰ See MIAX Options Exchange Rule 532(a)(1).

¹¹¹ See Cboe Rule 5.34(b)(3)(A); and Nasdaq Phlx Options 3, Options Trading Rules, Section 16(c).

the public interest but rather promotes the protection of investors and the public interest by preventing these orders and eQuotes from trading at potentially unwanted or erroneous prices. Additionally, the Exchange believes the proposed price protections will protect investors and the public interest by mitigating potential risks associated with market participants entering orders and eQuotes at clearly unintended prices and prices that are extreme and potentially erroneous. The Exchange believes that rejecting these orders and eQuotes promotes the protection of investors and the public interest by preventing executions from occurring at unwanted or potentially erroneous prices and provides the Member the opportunity to reevaluate their order or eQuote and possibly resubmit the order or eQuote at a price within the minimum and maximum trading price limits for the strategy as established by the Exchange. The Exchange notes that the proposed rules as amended will be identical to rules currently operative on the Exchange's affiliate, MIAX Options.¹¹²

The Exchange does not believe that extending the price protections for Calendar Spreads or Vertical Spreads imposes a significant burden on intra-market competition as the extended price protections will be uniformly applied to Members' orders submitted to the Exchange. The Exchange does not believe that the extended price protections for Calendar Spreads or Vertical Spreads impose a significant burden on inter-market competition as the price protection functionality is not being implemented for competitive purposes. Alternatively, the Exchange's proposal could enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. The Exchange notes that other exchanges have comparable price protections in place for certain complex strategies.¹¹³

¹¹² See MIAX Options Exchange Rule 532(b)(3) and 532(b)(4).

¹¹³ See Cboe Rule 5.34(b)(3)(A); and Nasdaq Phlx Options 3, Options Trading Rules, Section 16(a).

MIAX Strategy Price Protection

The Exchange believes that the MIAX Strategy Price Protection feature does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest by providing order price protection that establishes a minimum and maximum trading value to prevent potentially unwanted or erroneous executions from occurring. The Exchange believes that when the MSPP is priced less aggressively than the limit price of the complex order that executing the order, up to and including its MSPP for buy orders, or down to and including its MSPP for sell orders, and cancelling any unexecuted portion of the order, protects investors and the public interest. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹¹⁴

The Exchange does not believe the adoption of the MIAX Strategy Price Protection will impose a significant burden on competition. The MIAX Strategy Price Protection will be uniformly applied to all Members' orders on the Exchange. Additionally, the Exchange does not believe that the MIAX Strategy Price Protection imposes a significant burden on inter-market competition as the MIAX Strategy Price Protection is not functionality that is being implemented for competitive purposes. Alternatively, the Exchange's proposal could enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges.

Parity Price Protection

¹¹⁴ See MIAX Options Exchange Rule 532(b)(5).

The Exchange believes that the change to the Parity Price Protection feature does not significantly affect the protection of investors or the public interest but rather promotes the protection of investors and the public interest by enabling the Parity Price Protection feature to operate in conjunction with the Managed Protection Override feature. Thereby, promoting the protection of investors and the public interest by providing Members greater flexibility and control over their orders if the Parity Price Protection is triggered. The Exchange believes that making this risk protection feature eligible for the Managed Protection Override feature benefits Members as it gives them the option to have their order cancelled if the Parity Price Protection is triggered and the Managed Protection Override feature is enabled. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹¹⁵

The Exchange does not believe that its proposal to enable the Parity Price Protection feature to operate in conjunction with the Managed Protection Override feature imposes a burden on intra-market competition as enabling the Managed Protection Override feature is optional for Members. Additionally, when the Managed Protection Override is enabled the operation of the feature in conjunction with the Parity Price Protection feature will be uniformly applied to all Members' orders on the Exchange. Additionally, the Exchange does not believe that the change to the proposal imposes a significant burden on inter-market competition as enabling the Parity Price Protection functionality to operate in conjunction with the Managed Protection Override feature is not functionality that is being implemented for competitive purposes.

¹¹⁵ See Interpretations and Policies .01(g) of MIAX Options Exchange Rule 518.

IIP/URIP/RIP

The Exchange does not believe its proposal to replace the dcEBBO value with the cNBBO value in the calculation used to determine whether a complex order is qualified to initiate a Complex Auction significantly impacts the protection of investors or the public interest. Conversely, the Exchange believes that its proposal benefits investors and the public interest by improving its calculation which may result in the generation of Complex Auctions which result in price improvement for the initiating order. The Exchange believes that its proposal will result in a reduction of the overall number of Complex Auctions initiated on the Exchange but will in turn increase the percentage of auctions that result in price improvement, as the auction start price will be more closely aligned to prevailing market prices.

The Exchange does not believe its proposal will impose any significant burden on intra-market competition as its proposal simply improves an existing calculation. The Exchange believes its proposal will enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. Additionally, the Exchange believes its proposal will make the Exchange more competitive with other options exchanges that offer complex auctions. The Exchange notes that this proposal is substantively identical to rules currently operative on the Exchange's affiliate, MIAX Options (with the only difference being in the naming convention used by each exchange, whereas MIAX Options used the term dcMBBO prior to changing to the cNBBO, and MIAX Emerald uses the term dcEBBO).¹¹⁶

¹¹⁶ See Interpretations and Policies .03(a),(b), and (c) of MIAX Options Exchange Rule 518.

For the aforementioned reasons the Exchange believes that the proposed rule changes are well-suited for, and meet the standards applicable to, the Commission's treatment of non-controversial proposals under Section 19(b)(3)(A) of the Act¹¹⁷ and Rule 19b-4(f)(6) thereunder.¹¹⁸ 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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹¹⁹ normally does not become operative for 30 days after the date of its filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rules are based on rules currently operative on the Exchange's affiliate, MIAX Options. Specifically, proposed Rule 532 is identical to Rule 532 currently operative on MIAX Options. Additionally, the change to the value used in the IIP, URIP, and RIP calculation

¹¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹¹⁸ 17 CFR 240.19b-4(f)(6).

¹¹⁹ 17 CFR 240.19b-4(f)(6).

from the dcEBBO to the cNBBO is identical to a change made by MIAX Options, the only difference being in the naming convention used for the terms on each exchange, whereas MIAX Options used the dcMBBO in its calculation prior to using the cNBBO.

Further, the Exchange's proposed change to the cLEP process in Rule 518(e) is identical to Rule 518(e) of MIAX Options. Finally, the change to Interpretations and Policies .01(g) of Rule 518 is identical to Interpretations and Policies .01(g) of Rule 518 on MIAX Options.

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-EMERALD-2022-30)

November __, 2022

Self-Regulatory Organizations: MIAX Emerald, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls

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 November 10, 2022, MIAX Emerald, LLC (“MIAX Emerald” or “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 proposes to (i) adopt new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls; and (ii) amend Exchange Rule 518, Complex Orders.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/emerald>, at MIAX Emerald’s principal office, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 adopt new Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls.³ The Exchange proposes to adopt a new Managed Protection Override feature, a new Max Put Price Protection feature, and a new MIAX Strategy Price Protection (“MSPP”) in new proposed Rule 532. The Exchange notes that the proposed functionality is identical to functionality recently adopted by the Exchange’s affiliate, MIAX Options Exchange.⁴

The Exchange also proposes to relocate and amend paragraph (a), Vertical Spread Variance (“VSV”) Price Protection; paragraph (b), Calendar Spread Variance (“CSV”) Price Protection; and paragraph (c) VSV and CSV Price Protection, from Interpretations and Policies .05 of Exchange Rule 518 to new proposed Rule 532 as described below.

Additionally, the Exchange proposes to add a new Butterfly Spread Variance (“BSV”) Price Protection to proposed section (b)(2) of new proposed Rule 532.⁵ Further, the Exchange proposes to relocate paragraph (d), Implied Away Best Bid or Offer (“ixABBO”) Price

³ The Exchange notes that proposed Rule 532 is identical to current Rule 532 on the MIAX Options Exchange.

⁴ See Securities Exchange Act Release No. 94353 (March 3, 2022), 87 FR 13339 (March 9, 2022) (SR-MIAX-2021-58).

⁵ The Exchange notes that the proposed functionality is identical to functionality recently adopted by the Exchange’s affiliate, MIAX Options. See Securities Exchange Act Release No. 94353 (March 3, 2022), 87 FR 13339 (March 9, 2022) (SR-MIAX-2021-58).

Protection; paragraph (f), Complex MIAX Emerald Price Collar Protection; and paragraph (g), Market Maker Single Side Protection, from Interpretations and Policies .05 of Exchange Rule 518 to new proposed Rule 532 in their entirety and without modification as section (b)(6), Complex MIAX Options Price Collar Protection; section (b)(7), Implied Away Best Bid or Offer (“ixABBO”) Price Protection; and section (b)(8), Market Maker Single Side Protection.⁶

The Exchange also proposes to amend Exchange Rule 518, Complex Orders, to change the value used in the calculation that determines whether a complex order is eligible to initiate a Complex Auction⁷ from the dcEBBO⁸ to the cNBBO.⁹ The Exchange notes that this proposed change is substantively identical (the only difference being the naming convention used by each exchange, whereas MIAX Options used the term dcMBBO¹⁰ prior to changing to the cNBBO

⁶ The proposed rulebook changes are identical to recent rulebook changes made by the Exchange’s affiliate, MIAX Options. See supra note 4.

⁷ Certain option classes, as determined by the Exchange and communicated to Members via Regulatory Circular, will be eligible to participate in a Complex Auction (an “eligible class”). Upon evaluation as set forth in subparagraph (c)(5) of Exchange Rule 518, the Exchange may determine to automatically submit a Complex Auction-eligible order into a Complex Auction. Upon entry into the System or upon evaluation of a complex order resting at the top of the Strategy Book, Complex Auction-eligible orders may be subject to an automated request for responses (“RFR”). See Exchange Rule 518(d).

⁸ The Displayed Complex MIAX Emerald Best Bid or Offer (“dcEBBO”) is calculated using the best displayed price for each component of a complex strategy from the Simple Order Book. For stock-option orders, the dcEBBO for a complex strategy will be calculated using the Exchange’s best displayed bid or offer in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(8).

⁹ The Complex National Best Bid or Offer (“cNBBO”) is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. See Exchange Rule 518(a)(2).

¹⁰ The Displayed Complex MIAX Best Bid or Offer (“dcMBBO”) is calculated using the best displayed price for each component of a complex strategy from the Simple Order Book. For stock-option orders, the dcMBBO for a complex strategy will be calculated using the Exchange’s best displayed bid or offer in the individual option component(s) and the NBBO in the stock component. See MIAX Options Exchange Rule 518(a)(8).

and MIAX Emerald uses the term dcEBBO) to a recent change made by the Exchange's affiliate, MIAX Options.¹¹

Additionally, the Exchange also proposes to relabel paragraph (e) of Interpretations and Policies .05 of Exchange Rule 518 to paragraph (a), and to make a number of non-substantive changes to update internal cross references throughout Exchange Rule 518 that have changed as a result of the proposed changes contained herein.

Background

The Exchange launched in December 2018, and at that time, the Exchange Rulebook contained complex order rules that were substantially similar to the rules of its affiliate exchange, MIAX Options. Since December 2018, MIAX Options has added functionality to grow its complex order business. The Exchange proposes to amend its rules to adopt functionality that currently exists on the MIAX Options Exchange. The Exchange seeks to align functionality to its affiliate, MIAX Options, where feasible. The proposed rule changes described below are identical, or substantively identical, to rule changes filed by the Exchange's affiliate, MIAX Options.¹²

¹¹ See Securities Exchange Act Release No. 94671 (April 11, 2022), 87 FR 22605 (April 15, 2022) (SR-MIAX-2022-13).

¹² See Securities Exchange Act Release No. 94353 (March 3, 2022), 87 FR 13339 (March 9, 2022) (SR-MIAX-2021-58) (Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Adopt Exchange Rule 532, Order and Quote Price Protection Mechanisms and Risk Controls).

ProposalManaged Protection Override (“MPO”)

The Exchange proposes to adopt a new Managed Protection Override feature which will work in conjunction with certain risk protections on the Exchange. If a Member¹³ enables the Managed Protection Override then all risk protections connected to the Managed Protection Override feature are engaged. When a risk protection connected to the Managed Protection Override feature is triggered, and the Managed Protection Override feature is enabled, the order subject to the risk protection will be cancelled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.¹⁴

The Managed Protection Override will be available for the following risk protections: Vertical Spread Variance (“VSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, new proposed Butterfly Spread Variance (“BSV”) Price Protection, Parity Price Protection, and new proposed Max Put Price Protection. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.¹⁵

Currently, when the Vertical Spread Variance (“VSV”) Price Protection and the Calendar Spread Variance (“CSV”) Price Protection are triggered the default behavior is to manage the order in accordance to Exchange Rule 518(c)(4).¹⁶ Additionally, when the Parity Price

¹³ 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.

¹⁴ See MIAX Options Exchange Rule 532.

¹⁵ See id.

¹⁶ See Interpretations and Policies .05(c) of Exchange Rule 518.

Protection is triggered the default behavior is to place the order on the Strategy Book¹⁷ at its parity protected price.¹⁸ The Exchange believes that offering Members the option to have their orders either managed by the Exchange or cancelled gives Members greater flexibility and control over their orders while retaining risk protection functionality.

Max Put Price Protection (“MPPP”)

The Exchange proposes to adopt a new price protection for put¹⁹ options by establishing a maximum price at which a put option may trade. This proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.²⁰

To determine the maximum price the Exchange will add a pre-set value, the Put Price Variance (“PPV”), to the strike price of the Put option. The pre-set value will be determined by the Exchange²¹ and communicated to Members via Regulatory Circular. Buy orders that are priced through the maximum trading price limit will trade up to, and including, the maximum trading price limit, and will then be placed on the Book²² and managed to the appropriate trading

¹⁷ The “Strategy Book” is the Exchange’s electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

¹⁸ See Interpretations and Policies .01(g) of Exchange Rule 518.

¹⁹ The term “put” means an option contract under which the holder of the option has the right, in accordance to the terms and provisions of the option, to sell to the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

²⁰ See MIAX Options Exchange Rule 532(a)(1).

²¹ The Exchange proposes to use a pre-set value for the Put Price Variance of \$0.10 to align to other similar price protections on the Exchange. The Exchange believes this value provides an adequate price range for executions while offering price protection against potentially erroneous executions. See MIAX Emerald Regulatory Circular 2019-73, Complex Order Price Protection Pre-set Values (August 13, 2019) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Emerald_RC_2019_73.pdf, which establishes a \$0.10 pre-set value for Vertical Spreads and Calendar Spreads.

²² The term “Book” means the electronic book of buy and sell orders and quotes maintained by the System. See Exchange Rule 100.

price limit as described in Rule 515(c)(1)(ii), or cancelled if the Managed Protection Override (“MPO”) is enabled. Sell orders that are priced higher than the maximum trading price limit will be rejected.

A bid quote through the maximum trading price limit will trade up to, and including the maximum trading price limit, then will be placed on the Book and managed to the appropriate trading price limit as described in Rule 515(c)(1)(ii), or in the case of a bid eQuote, will be cancelled. An offer quote received that is higher than the maximum trading price limit is not rejected and will be placed on the Book and displayed. An offer eQuote greater than the maximum trading price limit will be cancelled.²³

Example Max Put Price Protection for a Buy Market Order

An order to Buy 10 XYZ Jan 5 Put @ Market is received.

The current market is:

EBBO²⁴ 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Max Put Price Protection = (Strike + PPV) = \$5.10

Because the Buy Order is priced through the Max Put Price Protection of \$5.10, the order is subject to management and posted to the order book at \$5.10.

EBBO 5.10 (10) x 5.50 (10)

²³ Orders and quotes are handled differently as orders may only be submitted by Electronic Exchange Members and quotes may only be submitted by Market Makers. The term “Electronic Exchange Member” or “EEM” means the holder of a Trading Permit who is not a Market Maker. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100. The term “Market Makers” refers to “Lead Market Makers”, “Primary Lead Market Makers” and “Registered Market Makers” collectively. See Exchange Rule 100.

²⁴ The term “EBBO” means the best bid or offer on the Simple Order Book on the Exchange. See Exchange Rule 518(a)(10). The “Simple Order Book” is the Exchange’s regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

Example Max Put Price Protection for a Sell Limit Order

An Order to Sell 10 XYZ Jan 5 Put @ \$5.25 is received.

The current market is:

EBBO 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Put Option = XYZ Jan 5 Put

Max Put Price Protection = (Strike + PPV) = \$5.10

Because the Sell Order is priced higher than the Max Put Price Protection of \$5.10, the order is rejected.

Example Max Put Price Protection for a Buy Quote

A Quote to Buy 10 XYZ Jan 5 Put @ \$5.50 is received.

The current market is:

EBBO 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Put Option = XYZ Jan 5 Put

Max Put Price Protection = (Strike + PPV) = \$5.10

Because the Buy Quote is priced through the Max Put Price Protection of \$5.10, the quote posted to the order book and managed at \$5.10.

EBBO 5.10 (10) x 5.50 (10)

Example Max Put Price Protection for a Sell Quote

A Quote to Sell 10 XYZ Jan 5 Put @ \$5.25 is received.

The current market is:

EBBO 0.50 (10) x 5.50 (10)

The price protection is:

Put Price Variance (PPV) = \$0.10

Put Option = XYZ Jan 5 Put

Max Put Price Protection = (Strike + PPV) = \$5.10

Although the Sell Quote is priced higher than the Max Put Price Protection of \$5.10, sell Quotes priced higher than the Max Put Price Protection are not rejected and therefore it is posted to the order book at \$5.25.

EBBO 5.10 (10) x 5.25 (10)

The Exchange believes that offering Members the option to have orders either managed by the Exchange or cancelled when a risk protection is triggered gives Members greater flexibility and control over their orders while retaining the risk protection functionality. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.²⁵

Definitions

The Exchange proposes to include a "Definitions" section as paragraph (b)(1) in proposed Rule 532.²⁶ For the purposes of proposed paragraph (b) the Exchange will adopt the following definition of a Butterfly Spread in section (b)(1)(i): A "Butterfly Spread" is a three legged complex order with two legs to buy (sell) the same number of calls²⁷ (puts) and one leg to sell (buy) twice the number of calls (puts), all legs have the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. The strike price of each leg is equidistant from the next sequential strike price.²⁸

The Exchange also proposes to relocate the definition of Calendar Spread and Vertical Spread from Interpretations and Policies .05(b) and .05(a) of Exchange Rule 518 respectively, to proposed section (b)(1)(ii) and (b)(1)(iii) of proposed Rule 532 respectively. The definition of a

²⁵ See MIAX Options Exchange Rule 532(a)(1).

²⁶ The Exchange notes that the proposed rule text is identical to current rule text on MIAX Options. See MIAX Options Exchange Rule 532(b)(1).

²⁷ The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of units of the underlying security covered by the option contract. See Exchange Rule 100.

²⁸ The Exchange notes that its proposed definition of a Butterfly Spread is identical to the definition of a Butterfly Spread on MIAX Options. See MIAX Options Exchange Rule 532(b)(1)(i).

Calendar Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.²⁹ The definition of a Vertical Spread is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.³⁰ The Exchange notes its definition of a Calendar Spread and a Vertical Spread is not changing under this proposal.

Butterfly Spread Price Variance (“BSV”) Price Protection

The Exchange proposes to adopt a new price protection for Butterfly Spreads as section (b)(2) of new proposed Rule 532. This proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.³¹

A Butterfly Spread is comprised of three legs which have the same expiration date but different exercise prices, and are of the same type, either calls or puts, and are at equal strike intervals. The upper and lower strikes are each a buy (sell) and the middle strike is a sell (buy). The ratio of a butterfly spread will always be +1 -2 +1 or -1 +2 -1.

Butterfly Spread Example

Buy 1 XYZ April 50 Call
Sell 2 XYZ April 55 Calls
Buy 1 FYX April 60 Call

The Exchange will establish a price protection for Butterfly Spreads by establishing a Butterfly Spread Variance. The Exchange proposes to adopt paragraph (b)(2)(i) to provide that, the

²⁹ The Exchange notes that its proposed definition of a Calendar Spread is identical to the definition of a Calendar Spread on MIAX Options. See MIAX Options Exchange Rule 532(b)(1)(ii).

³⁰ The Exchange notes that its proposed definition of a Vertical Spread is identical to the definition of a Vertical Spread on MIAX Options. See MIAX Options Exchange Rule 532(b)(1)(iii).

³¹ See MIAX Options Exchange Rule 532(b)(2).

minimum possible trading price limit of a Butterfly Spread is zero minus a pre-set value. The maximum possible trading price limit of a Butterfly Spread is the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price) plus a pre-set value. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³²

The Exchange proposes to adopt paragraph (b)(2)(ii) to provide that, if the execution price of a complex order would be outside of the limits set forth in paragraph (i) above (bid higher than the maximum trading price limit or offer lower than the minimum trading price limit), such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. Remaining interest will then will be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³³

The Exchange proposes to adopt paragraph (b)(2)(iii) to provide that, buy orders, sell orders, and offer eQuotes³⁴ with a limit price less than the minimum trading price limit will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Sell orders with a limit price greater than the maximum trading price limit will be

³² See MIAX Options Exchange Rule 532(b)(2)(i).

³³ See MIAX Options Exchange Rule 532(b)(2)(ii).

³⁴ The Exchange proposes to extend existing price protections to sell limit orders and offer eQuotes for certain complex order spread strategies similar to MIAX Options. See Exchange Act Release No. 95227 (July 8, 2022), 87 FR 42229 (July 14, 2022) (SR-MIAX-2022-25).

rejected. Offer eQuotes with a limit price greater than the maximum trading price limit will be cancelled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³⁵

The Exchange also proposes to adopt paragraph (b)(2)(iv) to provide that, the pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.³⁶

The minimum value of a Butterfly Spread is zero and the maximum value is capped at the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price). To establish the maximum and minimum trading values, a configurable pre-set value is added to the maximum spread value and subtracted from the minimum spread value. The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.³⁷

Example

Butterfly Spread: Buy 1 October 50 Call, Sell 2 October 55 Calls, Buy 1 October 60 Call.

October 50 Call EBBO: \$11.00 x \$16.00

October 55 Call EBBO: \$6.00 x \$11.00

October 60 Call EBBO: \$1.00 x \$6.00

The maximum spread value is the absolute value of the difference between the closest strikes or \$5.00 (60.00 - 55.00 or 55.00 - 50.00). The minimum spread value is zero. If the pre-set value is

³⁵ See MIAX Options Exchange Rule 532(b)(2)(iii).

³⁶ See MIAX Options Exchange Rule 532(b)(2)(iv).

³⁷ The Exchange proposes to use a pre-set value of \$0.10 for Butterfly Spreads to align to the pre-set value which is used on the Exchange for Calendar Spreads and Vertical Spreads. See supra note 21.

\$0.10 the maximum allowable price limit is then \$5.10 and the minimum allowable price limit is then -\$0.10. A strategy order to buy at \$5.15 will be managed on the Strategy Book at \$5.10.

Calendar Spread Variance (“CSV”) Price Protection

The Exchange proposes to (i) relocate the Calendar Spread Variance (“CSV”) Price Protection from Rule 518; (ii) amend the rule text to align to the rule text on the Exchange’s affiliate, MIAX Options; (iii) amend the rule text to enable the operation of the Managed Protection Override; and (iv) extend the existing price protection to include sell orders and offer eQuotes. Specifically, the Exchange proposes to relocate the Calendar Spread Variance (“CSV”) Price Protection from Interpretations and Policies .05(b) of Rule 518 to paragraph (b)(3) of new proposed Rule 532. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.³⁸

The Exchange proposes to adopt paragraph (i) to state that, the maximum possible value of a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus a pre-set value. The Exchange notes that this rule text is being relocated to Rule 532(b)(3)(i) but is not changing under this proposal.³⁹

Currently, the operation of the Calendar Spread Variance (“CSV”) and Vertical Spread Variance (“VSV”) price protection is described together in Interpretations and Policies .05(c) of Rule 518. The Exchange now proposes to describe the operation of the price protection separately for each strategy. Specifically, the Exchange proposes to adopt subparagraph (ii) to proposed Rule 532(b)(3) to state that, if the execution price of a complex order would be outside of the limit set forth in subparagraph (i) above (offers lower than the minimum trading price

³⁸ See MIAX Options Exchange Rule 532(b)(3).

³⁹ See Interpretations and Policies .05(b)(1) of Rule 518.

limit), such complex order will trade down to, and including, the minimum trading price limit. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁰

The Exchange also proposes to describe the handling of remaining interest within the rule text to provide additional detail and to incorporate the operation of the Managed Protection Override. Specifically, the Exchange proposes to adopt an additional provision to proposed Rule 532(b)(3)(ii) to provide that, remaining interest will then be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴¹

The Exchange proposes to adopt subparagraph (iii) to state that, buy orders, sell orders, and offer eQuotes⁴² with a limit price less than the minimum trading price will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Currently, the rule provides that orders to buy below the minimum trading price limit will be rejected.⁴³ The Exchange is proposing to extend this price protection to sell orders and offer eQuotes under this proposal. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁴

⁴⁰ See MIAX Options Exchange Rule 523(b)(3)(ii).

⁴¹ See id.

⁴² See supra note 34.

⁴³ See Interpretations and Policies .05(c) of Exchange Rule 518.

⁴⁴ See MIAX Options Exchange Rule 532(b)(3)(iii).

The Exchange proposes to adopt subparagraph (iv) to state that the CSV Price Protection applies only to strategies in American-style option classes. The Exchange notes that this rule text is being relocated to proposed Rule 532(b)(3)(iv) but is not changing under this proposal.⁴⁵

The Exchange proposes to adopt subparagraph (v) to state that the pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁶

Vertical Spread Variance ("VSV") Price Protection

The Exchange proposes to (i) relocate Vertical Spread Variance ("VSV") Price Protection from Rule 518; (ii) amend the rule text to align to the rule text on the Exchange's affiliate, MIAX Options; (iii) amend the rule text to enable the operation of the Managed Protection Override; and (iv) extend the existing price protection to include sell orders and offer eQuotes. Specifically, the Exchange proposes to relocate the Vertical Spread Variance ("VSV") Price Protection from Interpretations and Policies .05(a) of Rule 518 to paragraph (b)(4) of new proposed Rule 532. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁴⁷

The Exchange proposes to adopt subparagraph (i) to state that, the maximum possible trading price limit of the VSV is the difference between the two component strike prices plus a pre-set value. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum trading price limit of \$5.00 plus a pre-set value. The minimum possible trading price limit of a Vertical Spread is always zero

⁴⁵ See Interpretations and Policies .05(c)(3) of Exchange Rule 518.

⁴⁶ See MIAX Options Exchange Rule 518(b)(3)(v).

⁴⁷ See MIAX Options Exchange Rule 532(b)(4).

minus a pre-set value. The Exchange notes that this rule text is being relocated to Rule 532(b)(4)(i) but is not changing under this proposal.⁴⁸

Currently, the operation of the Calendar Spread Variance (“CSV”) and Vertical Spread Variance (“VSV”) price protection is described together in Interpretations and Policies .05(c) of Rule 518. The Exchange now proposes to describe the operation of the price protection separately for each strategy. Specifically, the Exchange proposes to adopt subparagraph (ii) to proposed Rule 532(b)(4) to state that, if the execution price of a complex order would be outside of the limits set forth in subparagraph (i) above (bid higher than the maximum trading price limit or offer lower than the minimum trading price limit), such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.⁴⁹

The Exchange also proposes to describe the handling of remaining interest within the rule text to provide additional detail and to incorporate the operation of the Managed Protection Override. Specifically, the Exchange proposes to adopt an additional provision to proposed Rule 532(b)(4)(ii) to provide that, remaining interest will then be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.⁵⁰

⁴⁸ See Interpretations and Policies .05(a)(1) of Rule 518.

⁴⁹ See MIAX Options Exchange Rule 532(b)(4)(ii).

⁵⁰ See id.

The Exchange proposes to adopt subparagraph (iii) to state that, buy orders, sell orders, and offer eQuotes⁵¹ with a limit price less than the minimum trading price limit will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Sell orders with a limit price greater than the maximum trading price limit will be rejected. Offer eQuotes with a limit price greater than the maximum trading price limit will be cancelled. Currently, the rule provides that orders to buy below the minimum trading price limit and orders to sell above the maximum trading price limit will be rejected by the System.⁵² The Exchange is proposing to extend this price protection to sell orders and offer eQuotes under this proposal. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁵³

The Exchange also proposes to adopt subparagraph (iv) to state that, the pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁵⁴

MIAX Strategy Price Protection ("MSPP")

The Exchange also proposes to introduce a MIAX Strategy Price Protection ("MSPP") which will establish a maximum protected price for buy orders and a minimum protected price for sell orders. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁵⁵

⁵¹ See supra note 34.

⁵² See Interpretations and Policies .05(c) of Exchange Rule 518.

⁵³ See MIAX Options Exchange Rule 532(b)(4)(iii).

⁵⁴ See MIAX Options Exchange Rule 532(b)(4)(iv).

⁵⁵ See MIAX Options Exchange Rule 532(b)(5).

To determine the maximum price for a buy order the Exchange will add a pre-set value, the MIAX Strategy Price Protection Variance (“MSPPV”),⁵⁶ to the offer side value of the cNBBO.⁵⁷ To determine the minimum protected price for sell orders the Exchange will subtract the MSPPV value from the bid side value of the cNBBO. The MSPPV value will be determined by the Exchange and communicated to Members via Regulatory Circular. For market orders⁵⁸ the functional limit price will be the MSPP. All Day⁵⁹ and GTC⁶⁰ complex orders are eligible

⁵⁶ The Exchange proposes to use a pre-set value of \$2.50 for the MIAX Strategy Price Protection Variance (“MSPPV”). The Exchange believes this value provides an adequate price range for executions while offering price protection against potentially erroneous executions and is identical to the value currently in use for the MSPP on the MIAX Options Exchange. See MIAX Options Exchange Regulatory Circular 2022-16, MIAX Order Price Protection Pre-set Values (March 4, 2022) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Options_RC_2022_16.pdf.

⁵⁷ The cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. For stock-option orders, the cNBBO for a complex strategy will be calculated using the NBBO in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(2).

⁵⁸ A market order is an order to buy or sell a stated number of option contracts at the best price available at the time of execution. See Exchange Rule 516(a).

⁵⁹ A Day Limit Order is an order to buy or sell which, if not executed, expires at the end of trading in the security on the day on which it was entered. See Exchange Rule 516(k).

⁶⁰ A Good ‘til Cancelled or “GTC” Order is an order to buy or sell which remains in effect until it is either executed, cancelled or the underlying option expires. See Exchange Rule 516(l).

for the MIAX Strategy Price Protection. cIOC orders,⁶¹ cAOC orders,⁶² cIOC eQuotes,⁶³ and cAOC eQuotes,⁶⁴ are not eligible for the MIAX Strategy Price Protection,⁶⁵ nor are crossing orders.⁶⁶ The MIAX Strategy Price Protection is an additional price protection feature provided to all Members of the Exchange.

⁶¹ A Complex Immediate-or-Cancel or “cIOC” order is a complex order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. See Exchange Rule 518(b)(4).

⁶² A Complex Auction-or-Cancel or “cAOC” order is a complex limit order used to provide liquidity during a specific Complex Auction with a time in force that corresponds with that event. cAOC orders are not displayed to any market participant, and are not eligible for trading outside of the event. A cAOC order with a size greater than the aggregate auctioned size (as defined in Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. See Exchange Rule 518(b)(3).

⁶³ A “Complex Immediate or Cancel eQuote” or “cIOC eQuote,” which is a complex eQuote with a time-in-force of IOC that may be matched with another complex quote or complex order for an execution to occur in whole or in part upon receipt into the System. cIOC eQuotes will not: (i) be executed against individual orders and quotes resting on the Simple Order Book; (ii) be eligible to initiate a Complex Auction or join a Complex Auction in progress; (iii) rest on the Strategy Book; or (iv) be displayed. Any portion of a cIOC eQuote that is not executed is immediately cancelled. See paragraph (c)(2) of Interpretations and Policies .02 of Exchange Rule 518.

⁶⁴ A “Complex Auction or Cancel eQuote” or “cAOC eQuote,” which is an eQuote submitted by a Market Maker that is used to provide liquidity during a specific Complex Auction with a time in force that corresponds with the duration of the Complex Auction. A cAOC eQuote with a size greater than the aggregate auctioned size (as defined in Rule 518(d)(4)) will be capped for allocation purposes at the aggregate auctioned size. cAOC eQuotes will not: (i) be executed against individual orders and quotes resting on the Simple Order Book; (ii) be eligible to initiate a Complex Auction, but may join a Complex Auction in progress; (iii) rest on the Strategy Book; or (iv) be displayed. See paragraph (c)(1) of Interpretations and Policies .02 of Exchange Rule 518.

⁶⁵ The Exchange does not believe that these order and quote types require the additional price protection afforded by the MSPP as these orders and quotes do not rest on the Strategy Book but are either executed immediately or cancelled. See supra notes 61, 62, 63, and 64.

⁶⁶ The Exchange does not believe that crossing orders require the additional price protection afforded by the MSPP as the execution price of these orders is pre-established. A Complex Customer Cross or “cC2C” Order is comprised of one Priority Customer complex order to buy and one Priority Customer complex order to sell at the same price and for the same quantity. Trading of cC2C Orders is governed by Rule 515(h)(3). See Exchange Rule 518(b)(5). A Complex Qualified Contingent Cross or “cQCC” Order is

If the MSPP is priced less aggressively than the limit price of a complex order (i.e., the MSPP is less than the complex order's bid price for a buy order, or the MSPP is greater than the complex order's offer price for a sell order), or if the order is a complex market order, the order will be (i) executed up to, and including, its MSPP for buy orders; or (ii) executed down to, and including, its MSPP for sell orders. Any unexecuted portion of such a complex order will be cancelled. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁶⁷

If the MSPP is priced equal to, or more aggressively than, the limit price of a complex order (i.e., the MSPP is greater than the complex order's bid price for a buy order, or the MSPP is less than the complex order's offer price for a sell order) the order will be (i) displayed and/or executed up to, and including, its limit price for buy orders; or (ii) displayed and/or executed down to, and including, its limit price for sell orders. Any unexecuted portion of such a complex order: (A) will be subject to the cLEP as described in subsection (e) of Exchange Rule 518; (B) may be submitted, if eligible, to the managed interest process described in Exchange Rule 518(c)(4); or (C) may be placed on the Strategy Book at its limit price. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁶⁸

The MSPP is designed to work in conjunction with other features on the Exchange such as the Complex Liquidity Exposure ("cLEP") Process. The Exchange introduced the Complex

comprised of an originating complex order to buy or sell where each component is at least 1,000 contracts that is identified as being part of a qualified contingent trade, as defined in Rule 516, Interpretations and Policies .01, coupled with a contra-side complex order or orders totaling an equal number of contracts. Trading of cQCC Orders is governed by Rule 515(h)(4). See Exchange Rule 518(b)(6).

⁶⁷ See MIAX Options Exchange Rule 532(b)(5)(v).

⁶⁸ See MIAX Options Exchange Rule 532(b)(5)(vi).

Liquidity Exposure Process (cLEP) in 2018.⁶⁹ The cLEP process was designed for complex orders and complex eQuotes that violate their Complex MIAX Price Collar (“MPC”) price.⁷⁰

The MPC price protection feature is an Exchange-wide mechanism under which a complex order or complex eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System⁷¹ (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in \$0.01 increments (the “MPC Setting”), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the “MPC Price”).⁷² The MPC Price is established (i) upon receipt of the complex order or eQuote during free trading, or (ii) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or (iii) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretations and Policies .05(e)(1) of this Rule, no longer exists.⁷³ Once established the MPC Price will not change during the life of the complex order or eQuote. If the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote’s bid price for a buy, or the MPC Price is greater than the complex order or eQuote’s offer price for a

⁶⁹ See Securities Exchange Act Release No. 85346 (March 18, 2019), 84 FR 10854 (March 22, 2019) (SR-EMERALD-2019-14).

⁷⁰ The Exchange notes that there are no changes to the Complex MIAX Price Collar functionality under this proposal.

⁷¹ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁷² See Exchange Rule 518.05(f).

⁷³ See Exchange Rule 518.05(f)(3).

sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price.⁷⁴

A complex order or complex eQuote that would violate its MPC Price begins a cLEP Auction.⁷⁵ The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all subscribers of the Exchange's data feeds.⁷⁶ Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii)-(v) of Rule 518, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation Process.⁷⁷

The Reevaluation process occurs at the conclusion of a cLEP Auction where the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the "New MPC Price"). Liquidity with an original limit price equal to or less aggressive than the New MPC Price is no longer subject to the MPC price protection. Liquidity with an original limit price more aggressive than the New MPC Price (or market order liquidity) is subject to the MPC price protection feature using the New MPC Price. In certain scenarios this could lead to a cycle of cLEP Auctions and ever increasing MPC price protection prices.

The operation of the MIAX Strategy Price Protection feature during a cLEP Auction can be seen in the following example.

⁷⁴ See Exchange Rule 518.05(f)(5).

⁷⁵ See Exchange Rule 518(e).

⁷⁶ Id.

⁷⁷ Id.

Example

MPC: 0.25

The Exchange has one order (Order 1) resting on its Strategy Book: +1 component A, -1 component B:

The current market is:

EBBO component A: 4.00 (10) x 6.00 (10)

EBBO component B: 1.00 (10) x 2.50 (10)

NBBO⁷⁸ component A: 4.05 (10) x 4.15 (10)

NBBO component B: 2.30 (10) x 2.40 (10)

icEBBO:⁷⁹ 1.50 (10) x 5.00 (10)

cNBBO: 1.65 (10) x 1.85 (10)

The price protection is:

MSPPV: 2.50

Buy MSPPV: $1.85 + .250 = 4.35$

Sell MSPPV: $1.65 - 2.50 = -.85$

Order 1 to sell 10 at 1.90 is received and updates the icEBBO.

icEBBO: 1.50 (10) x 1.90 (10)

The Exchange receives a new order (Order 2) to buy 30 at the Market. For Market Orders the functional limit is the MSPP or 4.35.

Order 2 buys 10 from Order 1 at \$1.90 and initiates the Complex Liquidity Exposure Process: Order 2 reprices to its MPC protected price of \$2.10 (cNBO of $1.85 + 0.25$) and is posted at that price on the Strategy Book and the cLEP Auction begins.

⁷⁸ The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor (“SIP”). See Exchange Rule 518(a)(14).

⁷⁹ The icEBBO is a calculation that uses the best price from the Simple Order Book for each component of a complex strategy including using displayed and non-displayed trading interest. For stock-option orders, the icEBBO for a complex strategy will be calculated using the best price (whether displayed or non-displayed) on the Simple Order Book in the individual option component(s), and the NBBO in the stock component. See Exchange Rule 518(a)(12).

During the cLEP Auction the Exchange receives a new order (Order 3) to sell 10 at 2.10. This order locks the current same side Book Price of \$2.10. At the end of the auction, Order 3 sells 10 to Order 2 at \$2.10, filling Order 3.

Order 2 reprices to the next MPC protected price of \$2.35 (initial MPC of 2.10 + 0.25) and is posted at that price on the Strategy Book and the next cLEP Auction begins.

During the next cLEP Auction the Exchange does not receive any interest to sell. At the end of the auction Order 2 is reevaluated and reprices to the next MPC protected price of 2.60 (previous MPC of 2.35 + 0.25) and is posted at that price on the Strategy Book and the next cLEP Auction begins.

During all subsequent cLEP Auctions the Exchange does not receive any interest to sell. At the end of each subsequent auction, Order 2 is reevaluated and repriced to the next MPC protected price as seen below until the MSPP protected price is equal to or less than the MPC protected price.

3rd MPC evaluation $2.60 + 0.25 = 2.85$

4th MPC evaluation $2.85 + 0.25 = 3.10$

5th MPC evaluation $3.10 + 0.25 = 3.35$

6th MPC evaluation $3.35 + 0.25 = 3.60$

7th MPC evaluation $3.60 + 0.25 = 3.85$

8th MPC evaluation $3.85 + 0.25 = 4.10$

9th MPC evaluation $4.10 + 0.25 = 4.35$

At the end of the final auction, because the MSPP protected price of 4.35 is equal to the MPC protected price of 4.35, Order 2 is not repriced to the next MPC and is cancelled subject to MSPP.

icEBBO: 4.35 (10) x 5.00 (10)

The Exchange proposes to amend Exchange Rule 518(e), Reevaluation, to account for the introduction of a protected price into the cLEP process. Currently, at the conclusion of a cLEP Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price more aggressive than the existing MPC Price. The Exchange proposes to amend this sentence to state that, at the conclusion of a cLEP Auction, the System will calculate

the next potential MPC Price for remaining liquidity with an original limit price or protected price more aggressive than the existing MPC Price. Additionally, the current rule text provides that, liquidity with an original limit price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518. The Exchange proposes to amend this sentence to provide that, liquidity with an original limit price or protected price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of Rule 518.

The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the “New MPC Price”). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price or protected price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of this Rule. The cLEP process will continue until no liquidity remains with an original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

Additionally, the Exchange proposes to introduce the protected price into the allocation process at the end of a cLEP Auction. The current rule, Allocation at the Conclusion of a Complex Liquidity Exposure Auction, provides that, orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule (518).

The Exchange now proposes to amend this provision to state that, orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, orders subject to the MIAX Strategy Price Protection (“MSPP”) (as described in Rule 532(b)(5)) are allocated using their protected price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule (518).

The Exchange also proposes to amend Rule 518(e), Allocation at the Conclusion of a Complex Liquidity Exposure Auction, to provide that orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, orders subject to MSPP are allocated using their protected price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule.

Parity Price Protection

The Exchange proposes to amend paragraph (g), Parity Price Protection, of Interpretations and Policies .01 of Exchange Rule 518, to add a reference to the Managed Protection Override. The rule, as proposed to be amended, will provide that Married-Put and Buy-Write interest to sell (sell put and sell stock; or sell call and buy stock) that is priced below the parity protected price for the strategy will be placed on the Strategy Book at the parity protected price for the strategy, or cancelled if the Managed Protection Override is enabled. This provision allows the Parity Price Protection functionality to operate in conjunction with the Managed Protection Override feature which cancels an order when its price protection feature is triggered. The Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.⁸⁰ The Exchange believes that offering Members the option to have orders either managed by the Exchange or cancelled when a risk

⁸⁰ See Interpretations and Policies .01(g) of MIAX Options Exchange Rule 518.

protection is triggered gives Members greater flexibility and control over their orders while retaining the risk protection functionality.

IIP/URIP/RIP

Currently the Exchange uses the following methods to determine whether a complex order is qualified to initiate a Complex Auction:

Initial Improvement Percentage (“IIP”)

For complex orders received prior to the opening of all individual components of a complex strategy, the System⁸¹ will calculate an IIP value, which is a defined percentage of the current dcEBBO bid/ask differential once all of the components of the complex strategy have opened. Such percentage will be defined by the Exchange and communicated to Members⁸² via Regulatory Circular.⁸³ If a Complex Auction-eligible order is priced equal to, or improves, the IIP value⁸⁴ and is also priced equal to, or improves⁸⁴, other complex orders and/or quotes resting at the top of the Strategy Book, the complex order will be eligible to initiate a Complex Auction.⁸⁵

Upon Receipt Improvement Percentage (“URIP”)

Upon receipt of a complex order when the complex strategy is open, the System will calculate a URIP value, which is a defined percentage of the current dcEBBO bid/ask

⁸¹ The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

⁸² 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.

⁸³ See MIAX Emerald Regulatory Circular 2019-68, Complex Auction Initiating Percentages (August 13, 2019) available at https://www.miaxoptions.com/sites/default/files/circular-files/MIAX_Emerald_RC_2019_68.pdf.

⁸⁴ The Initial Improvement Percentage (“IIP”) is currently set to 70%. See *Id.*

⁸⁵ See Policy .03(a) of Exchange Rule 518.

differential. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular.⁸⁶ If a Complex Auction-eligible order is priced equal to, or improves, the URIP value⁸⁷ and is also priced to improve other complex orders and/or quotes resting at the top of the Strategy Book, the complex order will be eligible to initiate a Complex Auction.⁸⁸

Re-evaluation Improvement Percentage (“RIP”)

Upon evaluation of a complex order resting at the top of the Strategy Book, the System will calculate a Re-evaluation Improvement Percentage (“RIP”) value, which is a defined percentage of the current dcEBBO bid/ask differential. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular.⁸⁹ If a complex order resting at the top of the Strategy Book is priced equal to, or improves, the RIP value,⁹⁰ the complex order will be eligible to initiate a Complex Auction.⁹¹

Proposal

The Exchange now proposes to replace the dcEBBO bid/ask differential with the cNBBO⁹² bid/ask differential in the calculations described above for IIP, URIP, and RIP, respectively. The dcEBBO is calculated using the displayed price for each component of a

⁸⁶ See supra note 83.

⁸⁷ The Upon Receipt Improvement Percentage (“URIP”) is currently set to 70%. See supra note 83.

⁸⁸ See Policy .03(b) of Exchange Rule 518.

⁸⁹ See supra note 83.

⁹⁰ The Reevaluation Improvement Percentage (“RIP”) is currently set to 80%. See supra note 83.

⁹¹ See Policy .03(c) of Exchange Rule 518.

⁹² The Complex National Best Bid or Offer (“cNBBO”) is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy. For stock-option orders, the cNBBO for a complex strategy will be calculated using the NBBO in the individual option component(s) and the NBBO in the stock component. See Exchange Rule 518(a)(2).

complex strategy from the Simple Order Book⁹³ on the Exchange, whereas the cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy.⁹⁴ The Exchange believes that using the cNBBO will reduce the number of auctions generated by the Exchange System which do not receive responses or result in price improvement for the initiating order. The cNBBO, which includes the best away markets as well as the EBBO for each component of a complex strategy, will always be equal to or better than the dcEBBO, which includes the EBBO for each component of a complex strategy. The component prices contained in the cNBBO provide a more accurate indicator of the overall market interest in each component, and therefore, provides a more accurate indicator of the overall market interest in the complex strategy. The Exchange believes that this will result in a reduction of the overall number of Complex Auctions initiated on the Exchange but will in turn increase the percentage of Complex Auctions that result in price improvement, as the auction start price will be more closely aligned to prevailing market prices. The Exchange notes that this proposal is substantively identical (the only difference being the naming convention used by each exchange, whereas MIAX Options used the dcMBBO prior to changing to the cNBBO and MIAX Emerald uses the dcEBBO) to rules currently operative on the Exchange's affiliate, MIAX Options.⁹⁵

Miscellaneous

⁹³ The "Simple Order Book" is the Exchange's regular electronic book of orders and quotes. See Exchange Rule 518(a)(15).

⁹⁴ See supra note 9.

⁹⁵ See Interpretations and Policies .03(a),(b), and (c) of MIAX Options Exchange Rule 518.

The Exchange proposes to rename paragraph (e), Wide Market Conditions, SMAT Events and Halts, of Interpretations and Policies .05 of Exchange Rule 518, to new paragraph (a), as a result of the removal of the preceding paragraphs (a), (b), (c), and (d) from Interpretations and Policies .05 of Exchange Rule 518, which have been relocated to new proposed Rule 532. Additionally, the Exchange proposes to make a number of non-substantive changes in Rule 518 to correct internal cross references that have changed as a result of this proposal.

Implementation

The Exchange will announce the implementation of these changes in a 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

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act⁹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹⁷ 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.

Managed Protection Override

⁹⁶ 15 U.S.C. 78f(b).

⁹⁷ 15 U.S.C. 78f(b)(5).

The Exchange believes that the Managed Protection Override feature promotes just and equitable principles of trade, 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 providing a mechanism by which Members may determine the way their orders are handled when a risk protection is triggered. The Exchange believes that enabling the Butterfly Spread Variance (“BSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, Vertical Spread Variance (“VSV”) Price Protection, Parity Price Protection, and MAX Put Price Protection, to work in conjunction with the Managed Protection Override benefits Members by providing Members an option as to the treatment of their order when a risk protection is engaged. The Exchange believes that it has an effective way to manage orders on the Exchange so that they do not execute at potentially erroneous prices, however the Exchange believes that giving Members the option to have their orders cancelled if a risk protection is triggered protects investors and the public interest. Cancelling an order allows Members to make a decision on what to do with their order based on the then current market conditions. A Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanisms of a free and open market by providing Members with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors. Additionally, the Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange’s affiliate, MIAX Options.⁹⁸

⁹⁸ See MIAX Options Exchange Rule 532.

Max Put Price Protection

The Exchange believes that the proposed Max Put Price Protection feature promotes just and equitable principles of trade, 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 providing a risk protection mechanism that establishes a maximum price at which a put option may trade. The Max Put Price Protection is designed to prevent trades from occurring at potentially unwanted or erroneous prices. Additionally, the Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.⁹⁹

Butterfly Spread Price Variance ("BSV") Price Protection

The Exchange believes that the proposed Butterfly Spread Price Variance ("BSV") Price Protection feature promotes just and equitable principles of trade, 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 providing a risk protection mechanism that will establish minimum and maximum trading values to prevent an order from trading at a potentially unwanted or erroneous price.

Additionally, the Exchange believes that making the Butterfly Spread Variance ("BSV") Price Protection eligible for the Managed Protection Override feature benefits Members as it gives them the option to have their order cancelled if the Butterfly Spread Variance Price Protection is triggered and the Managed Protection Override feature is enabled. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same

⁹⁹ See MIAX Options Exchange Rule 532(a)(1).

or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

Calendar Spread Variance (“CSV”) Price Protection / Vertical Spread Variance (“VSV”) Price Protection

The Exchange believes that amending the Calendar Spread Variance (“CSV”) and the Vertical Spread Variance (“VSV”) Price Protection feature to enable the Managed Protection Override feature promotes just and equitable principles of trade, removes impediments to and perfects the mechanism of a free and open market and a national market system and, in general, protects investors and the public interest by providing Members the option of having the Exchange manage their order when a price protection is triggered, or having their order cancelled when a price protection is triggered, if the Managed Protection Override is enabled. The Exchange believes cancelling an order in this scenario benefits Members as it allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors.

The Exchange believes that amending the Calendar Spread Price Variance (“CSV”) and Vertical Spread Variance (“VSV”) Price Protection protects investors and the public interest and helps maintain fair and orderly markets by mitigating potential risks associated with market

participants entering sell orders and offer eQuotes at clearly unintended prices and trading at prices that are extreme and potentially erroneous. Extending the existing price protections to sell orders and offer eQuotes will assist in the maintenance of a fair and orderly market and protect investors by rejecting sell orders and offer eQuotes that are priced to sell below the minimum trading limit established by the Exchange. The Exchange believes this will promote just and equitable principles of trade and ultimately protect investors. Additionally, the Exchange notes that this proposed rule change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁰⁰

MIAX Strategy Price Protection ("MSPP")

The Exchange believes that the adoption of the MIAX Strategy Price Protection ("MSPP") promotes just and equitable principles of trade, and facilitates transactions in securities, 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 providing an order price protection that establishes a minimum and maximum trading value to prevent potentially unwanted or erroneous executions from occurring. The Exchange believes that when the MSPP is priced less aggressively than the limit price of the complex order that executing the order, up to and including its MSPP for buy orders, or down to and including its MSPP for sell orders, and cancelling any unexecuted portion of the order, protects investors and the public interest. Cancelling orders back to Members allows them to make a decision on what to do with their order based on the then current market conditions and a Member may choose to re-submit the order at the same or different limit price. Specifically, the Exchange believes the proposed change will remove impediments to and perfect the mechanism of a free and open market by providing market

¹⁰⁰ See MIAX Options Exchange Rule 532(b)(3)(iii) and (b)(4)(iii).

participants with the option to either manage their own orders or have the Exchange manage their orders when a price protection is triggered which will promote fair and orderly markets, increase overall market confidence, and promote the protection of investors. Additionally, this proposed change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁰¹

Parity Price Protection

The Exchange believes that amending Interpretations and Policies .01(g), Parity Price Protection, of Exchange Rule 518, to provide that an order will be cancelled if the Managed Protection Override is enabled promotes just and equitable principles of trade, and facilitates transactions in securities, 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 providing Members and the public additional detail and clarity in the Exchange's rules. It is in the public interest for rules to be accurate and concise so as to eliminate the potential for confusion. Additionally, the Exchange notes that this proposed change is identical to a rule currently operative on the Exchange's affiliate, MIAX Options.¹⁰²

Miscellaneous

The Exchange believes the proposed change to correct internal cross references within the Exchange's Rulebook 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 proposal ensures that the Exchange's rules are accurate. The Exchange notes that the proposed changes to correct internal cross references and to make minor non-substantive edits does not alter the application of each rule. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and

¹⁰¹ See MIAX Options Exchange Rule 532(b)(5).

¹⁰² See Interpretations and Policies .01(g) of MIAX Options Exchange Rule 518.

would remove impediments to and perfect the mechanism of a free and open market and national market system. In particular, the Exchange believes that the proposed rule changes will provide greater clarity to Members and the public regarding the Exchange's Rules. 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 proposal promotes just and equitable principles of trade, 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 providing new price protection features for MIAX Emerald Members. Additionally, the description of the System's functionality is designed to promote just and equitable principles of trade by providing a clear and accurate description to all participants of how the price protection process is applied and should assist investors in making decisions concerning their orders. Further, the Exchange believes that the price protection features and functionality provides market participants with an appropriate level of risk protection to their orders and contributes to the maintenance of a fair and orderly market.

The Exchange believes that its proposal to use the cNBBO instead of the dcEBBO in the calculation used to determine whether a complex order is qualified to initiate a Complex Auction 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 as using the cNBBO provides a better measure of the current market and is more likely to result in price improvement for the initiating order as the cNBBO is calculated using the NBBO (which in turn is calculated by taking the best prices of all exchanges into consideration) for each component of a complex strategy to establish the best net bid and offer for a complex strategy, and therefore is more representative of the prevailing market interest and

market prices. The example below demonstrates the difference between the current and proposed calculations.

Example 1

(Current Auction Evaluation Based on dcEBBO)

Reevaluation Improvement Percentage (RIP) for a complex order at the best price on the Strategy Book¹⁰³ subject to dcEBBO.

RIP = 80%

EBBO:¹⁰⁴ Option A 2.00 x 2.10

EBBO: Option B 1.05 x 1.20

Strategy +1A -1B = (2.00-1.20) x (2.10-1.05)

dcEBBO = 0.80 x 1.05

A complex order is resting on the Strategy Book to buy 1 Strategy at a price of 1.00. Upon reevaluation of the Strategy Book it is determined the complex order to buy at 1.00 improves the Strategy bid by 0.20; (1.00-0.80). The improvement percentage is then calculated as the 0.20 improvement divided by the Strategy bid/offer spread; (1.05-0.80), in this case resulting in 80% improvement. Because the 80% improvement equals the configured RIP of 80% an auction is initiated.

Example 2

(Proposed Auction Evaluation Based on cNBBO)

Reevaluation Improvement Percentage (RIP) for a complex order at the best price on the Strategy Book subject to cNBBO.

RIP = 80%

NBBO: Option A 2.05 x 2.10

NBBO: Option B 1.05 x 1.10

Strategy +1A -1B = (2.05-1.10) x (2.10-1.05)

¹⁰³ The “Strategy Book” is the Exchange’s electronic book of complex orders and complex quotes. See Exchange Rule 518(a)(17).

¹⁰⁴ The term “EBBO” means the best bid or offer on the Exchange. See Exchange Rule 100.

$$\text{cNBBO} = 0.95 \times 1.05$$

A complex order is resting on the Strategy Book to buy 1 Strategy at a price of 1.00. Upon reevaluation of the Strategy Book it is determined the complex order to buy at 1.00 improves the Strategy bid by 0.05; (1.00-0.95). The improvement percentage is then calculated as the 0.05 improvement divided by the Strategy bid/offer spread; (1.05-0.95), in this case resulting in 50% improvement. Because the 50% improvement is less than the configured RIP of 80% an auction is not initiated.

The Exchange believes that using the cNBBO in its calculation to determine whether a complex order is qualified to initiate a Complex Auction will reduce the number of Complex Auctions initiated by the Exchange System which do not receive responses. Using the cNBBO instead of the dcEBBO better reflects the current state of the market and may result in Complex Auctions that receive responses which in turn may result in price improvement for the initiating order.

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.

Intra-Market Competition

Specifically, the Exchange does not believe that the proposed changes will impose any burden on intra-market competition as the rules of the Exchange apply equally to all MIAX participants. The Butterfly Spread Variance (“BSV”) Price Protection, Calendar Spread Variance (“CSV”) Price Protection, and Vertical Spread Variance (“VSV”) Price Protection, Parity Price Protection, and Max Put Price protection are all available for any MIAX Emerald Member that submits orders or quotes to the Exchange. Any MIAX Member transacting on the Exchange will benefit from the risk protections proposed herein. Additionally, any Member may elect to enable the Managed Protection Override feature to allow the Exchange to cancel their orders when a risk protection is triggered.

Additionally, the Exchange does not believe that the proposed rule change to replace the dcEBBO value with the cNBBO value in the calculation used to determine whether a complex order is qualified to initiate a Complex Auction will impose any burden on intra-market competition. As all complex orders submitted to the Exchange will be uniformly evaluated under the Exchange's rules, and the rules of the Exchange apply equally to all Members.

Inter-Market Competition

The Exchange does not believe the proposal will impose any burden on inter-market competition as the proposal is intended to protect investors by providing additional price protection functionality and further enhancements and provide additional transparency to the Exchange's risk protections. The Exchange's proposal may promote inter-market competition as the Exchange's proposal adds additional price protection features and functionality that may attract additional order flow to the Exchange, thereby promoting inter-market competition.

The Exchange believes its proposal to adopt to use the cNBBO in the calculation to determine whether to initiate a Complex Auction better reflects current market prices and may result in the initiation of Complex Auctions which result in price improvement for the initiating order. The Exchange believes the proposed rule change will enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges. Additionally, the Exchange believes that this change will result in a reduction of the overall number of Complex Auctions initiated on the Exchange but will in turn increase the percentage of auctions that result in price improvement, as the auction start price will be more closely aligned to prevailing market prices.

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 Act¹⁰⁵ and Rule 19b-4(f)(6)¹⁰⁶ thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);

or

¹⁰⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁰⁶ 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.

- Send an e-mail [to rule-comments@sec.gov](mailto:to%20rule-comments@sec.gov). Please include File Number SR-EMERALD-2022-30 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-EMERALD-2022-30. 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-EMERALD-2022-30 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.¹⁰⁷

Vanessa Countryman
Secretary

¹⁰⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

MIAX Emerald, LLC Rules

Rule 518. Complex Orders**(a) Definitions.**

(1) – (8) No change.

(9) **Derived Order.** A “derived order” is an Exchange-generated limit order on the Simple Order Book that represents either the bid or offer of one component of a complex order resting on the Strategy Book that is comprised of orders to buy or sell two option components where one component has a base ratio of “one” relative to the other component (1:1, 1:2, or 1:3). Derived orders will not be routed outside of the Exchange regardless of the price(s) disseminated by away markets. The Exchange will determine on a class-by-class basis to make available derived orders and communicate such determination to Members via a Regulatory Circular. Derived orders are firm orders (i.e., if executed, firm for the disseminated price and size) that are included in the EBBO (as defined in subparagraph (a)(10) below). Derived orders are subject to the Managed Interest Process described in Rule 515(c)(1)(ii).

(i) – (v) No change.

(vi) A derived order is automatically removed from the Simple Order Book if:

(A) – (D) No change.

(E) any component of the complex order resting on the Strategy Book that is used to generate the derived order is subject to a Simple Market Auction or Timer (“SMAT”) Event, as described in subparagraph (a)(16) below, a wide market condition (as described in Interpretation and Policy .05([e]a) of this Rule), or a halt.

If a derived order is removed from the Simple Order Book, the System will continually evaluate any remaining complex order(s) on the Strategy Book to determine whether a new derived order should be generated, as described in Rule 518(c)(5).

(vii) No change.

(10) – (15) No change.

(16) **Simple Market Auction or Timer (“SMAT”) Event.** A SMAT Event is defined as a PRIME Auction (pursuant to Rule 515A). Complex orders and quotes will be handled during a SMAT Event as described in Interpretation and Policy .05([e]a)(2) of this Rule.

(17) No change.

(b) Types of Complex Orders.

(1) – (9) No change.

(c) **Trading of Complex Orders and Quotes.** The Exchange will determine and communicate to Members via Regulatory Circular which complex order origin types (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the Strategy Book. Complex orders and quotes will be subject to all other Exchange Rules that pertain to orders and quotes generally, unless otherwise provided in this Rule 518. This Rule 518(c) governs trading of all complex order types set forth in Rule 518(b) above, unless otherwise specified in Rule 518(b).

(1) Minimum Increments and Trade Prices.

(i) – (iii) No change.

(iv) A complex order or eQuote (as defined in Interpretation and Policy .02 of this Rule) will not be executed at a price that is outside of its MPC Price (as defined in [Interpretation and Policy .05(f) of this]Rule 532(b)(6)) or its limit price.

(2) Execution of Complex Orders and Quotes.

(i) No change.

(ii) **Prices for Complex Strategy Executions.** Incoming complex orders and quotes will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the icEBBO or at a price that is equal to the icEBBO when there is a Priority Customer Order (as defined in Rule 100) at the best icEBBO price. Complex orders will never be executed at a price that is outside of the individual component prices on the Simple Order Book, and the net price of a complex order executed against another complex order on the Strategy Book will never be inferior to the price that would be available if the complex

order legged into the Simple Order Book. Incoming complex orders that could not be executed because the executions would be priced (A) outside of the icEBBO, or (B) equal to or through the icEBBO due to a Priority Customer Order at the best icEBBO price, will be cancelled if such complex orders are not eligible to be placed on the Strategy Book. Complex orders and quotes will be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same options contracts provided, however, that such complex order price may be subject to the Implied Exchange Away Best Bid or Offer (“ixABBO”) Protection described in [Interpretation and Policy .05(d) of this]Rule 532(b)(7), and are subject to the MPC price protection feature described in [Interpretation and Policy .05(f) of this]Rule 532(b)(6).

(iii) – (v) No change.

(3) Complex Order Priority.

(i) – (ii) No change.

(4) No change.

(5) Evaluation Process. The Strategy Book is evaluated upon receipt of a new complex order or quote, and is evaluated continually thereafter by the System.

(i) No change.

(ii) **Continual Evaluation.** The System will continue to evaluate complex orders and quotes on the Strategy Book. The System will continue to determine if such complex orders are Complex Auction-eligible orders, using the process and criteria described in Interpretation and Policy .03(c) of this Rule regarding the Reevaluation Improvement Percentage (“RIP”). The System will also continue to evaluate (A) whether such complex orders or quotes are eligible for full or partial execution against a complex order or quote resting on the Strategy Book; (B) whether such complex orders or quotes are eligible for full or partial execution through Legging with the Simple Order Book (as described in Rule 518(c)(2)(iii) and discussed above); (C) whether all or any remaining portion of a complex order or quote should be placed on the Strategy Book; (D) whether a derived order should be generated or cancelled; (E) the eligibility of such complex orders and quotes (as applicable) to participate in the Managed Interest Process as described in subparagraph (c)(4) above; and (F) whether such complex orders should be cancelled. The System will also continue to evaluate whether there is a SMAT Event, a wide market condition (as described in Interpretation and Policy .05([e]a)(1) of this Rule), a halt (as described in Interpretation and Policy .05([e]a)(3) of this Rule) affecting any component of a complex strategy. Complex orders and quotes will be handled during such events in the manner set forth in Interpretation and Policy .05([e]a) of this Rule.

(iii) – (iv) No change.

(6) No change.

(d) **Complex Auction Process.** Certain option classes, as determined by the Exchange and communicated to Members via Regulatory Circular, will be eligible to participate in a Complex Auction (an “eligible class”). Upon evaluation as set forth in subparagraph (c)(5) above, the Exchange may determine to automatically submit a Complex Auction-eligible order into a Complex Auction. Upon entry into the System or upon evaluation of a complex order resting at the top of the Strategy Book, Complex Auction-eligible orders may be subject to an automated request for responses (“RFR”).

(1) – (4) No change.

(5) Processing of Complex Auction-eligible orders.

(i) – (ii) No change.

(iii) Notwithstanding the foregoing in this subparagraph (d)(5), the Complex Auction will terminate (A) at the end of the Response Time Interval without trading when any individual component of a complex strategy in the Complex Auction process is subject to a wide market condition as described in Interpretation and Policy .05([e]a)(1) of this Rule, or to a SMAT Event as described in paragraph (a)(16) and Interpretation and Policy .05([e]a)(2) of this Rule, or (B) immediately without trading if any individual component or underlying security of a complex strategy in the Complex Auction process is subject to a halt as described in Interpretation and Policy .05([e]a)(3) of this Rule.

(iv) No change.

(6) **Complex Auction Pricing.** A complex strategy will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer order on the Simple Order Book without improving the EBBO on at least one component of the complex strategy by at least \$.01. At the conclusion of the Response Time Interval, Complex Auction-eligible orders will be priced and executed as follows, and allocated pursuant to subparagraph (7) below:

(i) Using \$0.01 inside the current icEBBO as the boundary (the “boundary”), the System will calculate the price where the maximum quantity of contracts can trade and also determine whether there is an imbalance.

(A) If there is no imbalance, the System will calculate the Complex Auction price using the following:

1. No change.

2. If two or more prices satisfy the maximum quantity criteria, the System will calculate the midpoint of the lowest and highest price points that satisfy the maximum quantity criteria, such midpoint price is used as the Complex Auction price. For orders with ixABBO Price Protection, as described in Rule 532(b)(7)[Interpretation and Policy .05(d) of this Rule] (for purposes of this subparagraph (d)(6), “price protection”), the midpoint pricing will use the price protection range selected by the Member at the end of the Complex Auction.

a. – .b No change.

(B) No change.

(7) Allocation at the Conclusion of a Complex Auction. Orders and quotes executed in a Complex Auction will be allocated first in price priority based on their original limit price (or protected price, as described in Rule 532[Interpretation and Policy .05.], if price protection is engaged) and thereafter as follows:

(i) – (vi) No change.

(8) – (11) No change.

(12) Effect of Wide Market Conditions, SMAT Events, and Trading Halts. If, during a Complex Auction, the underlying security and/or any component of a Complex Auction-eligible order is subject to a wide market condition, a SMAT Event or a trading halt, the Complex Auction will be handled as set forth in Interpretation and Policy .05([e]a) of this Rule.

(e) Complex Liquidity Exposure Process (“cLEP”) for Complex Orders. The System will initiate a cLEP Auction whenever a complex order or eQuote would execute or post at a price that would violate its MPC Price, as described in Rule 532(b)(6)[Interpretation and Policy .05(f)]. The System will post the complex order or eQuote to the Strategy Book at its MPC Price and begin the cLEP Auction by broadcasting a liquidity exposure message to all subscribers of the Exchange’s data feeds. The liquidity exposure message will include the symbol, side of the market, auction start price (MPC Price of the complex order or eQuote), and the imbalance quantity.

Response Time Interval. The “Response Time Interval” means the period of time during which responses to the liquidity exposure message may be entered. The duration of the Response Time Interval shall be no less than 100 milliseconds and no more than 5,000 milliseconds, as determined by the Exchange and announced through a Regulatory Circular.

Responses. Members may submit a response to the liquidity exposure message during the Response Time Interval. Responses may be submitted in \$0.01 increments. Responses must be a cAOC Order or a cAOC eQuote as defined in Interpretation and Policy .02 of this Rule and may be submitted on either side of the market. Responses represent non-firm interest that can be withdrawn at any time prior to the end of the Response Time Interval. At the end of the Response Time Interval, responses are firm (i.e., guaranteed at the response price and size). Any responses not executed in full will expire at the end of the cLEP Auction. A response on the opposite side of the initiating order with a size greater than the aggregate size of interest at the same price on the same side of the market as the initiating order (the “aggregate auctioned size”) will be capped for allocation purposes at the aggregate auctioned size.

End of Complex Liquidity Exposure Process. At the conclusion of the cLEP Auction the resulting trade price will be determined by the Exchange’s Complex Auction Pricing described in subsection (d)(6) of this Rule and interest will be executed as provided in subsection (d)(6) of this Rule. In no event will the resulting trade price of a cLEP Auction ever be more aggressive than the MPC Price. Remaining liquidity with an original limit price that is (i) less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the MPC Price will be handled in accordance with subsection (c)(2)(ii) – (v) of this Rule, or (ii) more aggressive than the MPC Price will be subject to the Reevaluation process as described below.

Allocation at the Conclusion of a Complex Liquidity Exposure Auction. Orders and quotes executed in a cLEP Auction will be allocated first in price priority based upon their original limit price, orders subject to the MIAX Strategy Price Protection (“MSPP”) (as described in Rule 532(b)(5)) are allocated using their protected price, and thereafter in accordance with the Complex Auction allocation procedures described in subsection (d)(7)(i) – (vi) of this Rule.

Reevaluation. At the conclusion of a cLEP Auction, the System will calculate the next potential MPC Price for remaining liquidity with an original limit price or protected price more aggressive than the existing MPC Price. The next MPC Price will be calculated as the MPC Price plus (minus) the next MPC increment for buy (sell) orders (the “New MPC Price”). The System will initiate a cLEP Auction for liquidity that would execute or post at a price that would violate its New MPC Price. Liquidity with an original limit price or protected price less aggressive (lower for a buy order or eQuote, or higher for a sell order or eQuote) than or equal to the New MPC Price will be posted to the Strategy Book at its original limit price or handled in accordance with subsection (c)(2)(ii) – (v) of this Rule. The cLEP process will continue until no liquidity remains with an

original limit price that is more aggressive than its MPC Price. At the conclusion of the cLEP process, any liquidity that has not been executed will be posted to the Strategy Book at its original limit price.

Interpretations and Policies:

.01. Special Provisions Applicable to Stock-Option Orders:

(a) – (f) No change.

(g) **Parity Price Protection.** The System will provide parity price protection for strategies that consist of a sale (purchase) of one call and the purchase (sale) of 100 shares of the underlying stock (“Buy-Write”) or that consist of the purchase (sale) of one put and the purchase (sale) of 100 shares of the underlying stock (“Married-Put”). A Parity Spread Variance (“PSV”) value between \$0.00 and \$0.50 which will be uniform for all option classes traded on the Exchange, will be determined by the Exchange and communicated via Regulatory Circular. The PSV will be used to calculate a minimum option trading price limit that the System will prevent the option leg from trading below. For call option legs, the PSV value is added to the strike price of the option to establish a parity protected price for the strategy. For put option legs, the PSV value is subtracted from the strike price of the option to establish a parity protected price for the strategy. Married-Put and Buy-Write interest to buy (buy put and buy stock; or buy call and sell stock) that is priced below the parity protected price for the strategy will be rejected. Married-Put and Buy-Write interest to sell (sell put and sell stock; or sell call and buy stock) that is priced below the parity protected price for the strategy will be placed on the Strategy Book at the parity protected price for the strategy, or cancelled if the Managed Protection Override is enabled.

.02. No change.

.03. **Improvement Percentages.** The Exchange will use the following methods to determine whether a complex order is qualified to initiate a Complex Auction.

(a) **Initial Improvement Percentage (“IIP”).** For complex orders received prior to the opening of all individual components of a complex strategy, the System will calculate an IIP value, which is a defined percentage of the current [dcEBBO]cNBBO bid/ask differential once all of the components of the complex strategy have opened. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular. If a Complex Auction-eligible order is priced equal to, or improves, the IIP value and is also priced equal to, or improves, other complex orders and/or quotes resting at the top of the Strategy Book, the complex order will be eligible to initiate a Complex Auction.

(b) **Upon Receipt Improvement Percentage (“URIP”).** Upon receipt of a complex order when the complex strategy is open, the System will calculate a URIP value, which is a defined percentage of the current [dcEBBO]cNBBO bid/ask differential. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular. If a Complex Auction-eligible order is priced equal to, or improves, the URIP value and is also priced to improve other complex orders and/or quotes resting at the top of the Strategy Book, the complex order will be eligible to initiate a Complex Auction.

(c) **Reevaluation Improvement Percentage (“RIP”).** Upon evaluation of a complex order resting at the top of the Strategy Book, the System will calculate a RIP value, which is a defined percentage of the current [dcEBBO]cNBBO bid/ask differential. Such percentage will be defined by the Exchange and communicated to Members via Regulatory Circular. If a complex order resting at the top of the Strategy Book is priced equal to, or improves, the RIP value, the complex order will be eligible to initiate a Complex Auction.

.04. No change.

.05. **Price and Other Protections.** Unless otherwise specifically set forth herein, the price and other protections contained in this Interpretation and Policy .05 apply to all complex order types set forth in Rule 518(b) above.

[(a) **Vertical Spread Variance (“VSV”) Price Protection.** A “Vertical Spread” is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices. The VSV establishes minimum and maximum trading price limits for Vertical Spreads.

(1) The maximum possible trading price limit of the VSV is the difference between the two component strike prices plus a pre-set value. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum trading price limit of \$5.00 plus a pre-set value. The minimum possible trading price limit of a Vertical Spread is always zero minus a pre-set value.

(2) The pre-set value will be uniform for all option classes traded on the Exchange as determined by the Exchange and communicated to Members via Regulatory Circular.

(b) **Calendar Spread Variance (“CSV”) Price Protection.** A “Calendar Spread” is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. The CSV establishes a minimum trading price limit for Calendar Spreads.

(1) The maximum possible value of a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus a pre-set value.

(2) The pre-set value will be uniform for all option classes traded on the Exchange as determined by the Exchange and communicated to Members via Regulatory Circular.

(3) CSV Price Protection applies only to strategies in American-style option classes.

(c) **VSV and CSV Price Protection.** If the execution price of a complex order would be outside of the limits set forth in subparagraphs (a)(1) and (b)(1) of this Interpretation and Policy .05, such complex order will be placed on the Strategy Book and will be managed to the appropriate trading price limit as described in subparagraph (c)(4) above. Orders to buy below the minimum trading price limit and orders to sell above the maximum trading price limit (in the case of Vertical Spreads) will be rejected by the System.

(d) **Implied Away Best Bid or Offer (“ixABBO”) Price Protection.** The ixABBO price protection feature is a price protection mechanism under which, when in operation as requested by the submitting Member, a buy order will not be executed at a price that is higher than each other single exchange’s best displayed offer for the complex strategy, and under which a sell order will not be executed at a price that is lower than each other single exchange’s best displayed bid for the complex strategy. For stock-option orders, the ixABBO for a complex strategy will be calculated using the BBO for each component on each individual away options market and the NBBO for the stock component. The ixABBO is calculated using the best net bid and offer for a complex strategy using each other exchange’s displayed best bid or offer on their simple order book. The ixABBO price protection feature must be engaged on an order-by-order basis by the submitting Member and is not available for complex Standard quotes, complex eQuotes, cAOC orders, cPRIME Orders, cC2C Orders, and cQCC Orders.]

[(e)a] Wide Market Conditions, SMAT Events and Halts

(1) **Wide Market Condition.** A “wide market condition” is defined as any individual option component of a complex strategy having, at the time of evaluation, an EBBO quote width that is wider than the permissible valid quote width as defined in Rule 603(b)(4).

(i) **Wide Market Condition During Free Trading.** If a wide market condition exists for a component of a complex strategy, trading in the complex strategy will be suspended, except as otherwise set forth in subparagraph [(e)a](1)(iii) below. The Strategy Book will remain available for Members to enter and manage complex orders and quotes. New Complex Auctions will not be initiated and incoming Complex Auction-eligible orders that could have otherwise

caused an auction to begin will be placed on the Strategy Book. Incoming complex orders with a time in force of IOC will be cancelled.

The System will continue to evaluate the Strategy Book. If a wide market condition exists for a component of a complex strategy at the time of evaluation, complex orders or quotes that could have otherwise been executed will not be executed until the wide market condition no longer exists. When the wide market condition no longer exists, the System will again evaluate the Strategy Book pursuant to subparagraph (c)(5)(ii) of this Rule, and will use the process and criteria respecting the RIP as described in Interpretation and Policy .03(c) of this Rule to determine whether complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

(ii) Wide Market Condition During a Complex Auction. If, at the expiration of the Response Time Interval, a wide market condition exists for a component of a complex strategy in the Complex Auction, trading in the complex strategy will be suspended, and any RFR Responses will be cancelled. Remaining Complex Auction-eligible orders will then be placed on the Strategy Book. When the wide market condition no longer exists, the System will evaluate the Strategy Book pursuant to subparagraph (c)(5)(ii) of this Rule, and will use the process and criteria respecting the RIP as described in Interpretation and Policy .03(c) of this Rule to determine whether complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

(iii) Wide Market Condition and cPRIME, cC2C and cQCC Orders. A wide market condition shall have no impact on the trading of cPRIME Orders and processing of cPRIME Auctions (including the processing of cPRIME Auction responses) pursuant to Rule 515A, Interpretation and Policy .12, or on the trading of cC2C and cQCC Orders pursuant to Rules 515(h)(3) and (4). Such trading and processing will not be suspended and will continue during wide market conditions.

(2) SMAT Events

(i) SMAT Events During Free Trading. If a SMAT Event exists during free trading for an option component of a complex strategy, trading in the complex strategy will be suspended. The Strategy Book will remain available for Members to enter and manage complex orders and quotes. New Complex Auctions may be initiated for incoming Complex Auction-eligible orders that meet the requirements of the URIP as described in Interpretation and Policy .03(b) of this Rule. Incoming complex orders and quotes that could otherwise be executed during the SMAT Event(s) without entering the Complex Auction process will be placed on the Strategy Book. Incoming complex orders received during a SMAT Event with a time in force of IOC will be cancelled by the System.

The System will continue to evaluate the Strategy Book. When the SMAT Event(s) no longer exist(s), the System will evaluate the Strategy Book pursuant to subparagraph (c)(5)(ii) of this Rule, and will use the process and criteria respecting the RIP as described in Interpretation and Policy .03(c) of this Rule to determine whether complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

(ii) **SMAT Events During a Complex Auction.** If, at the end of the Response Time Interval, an option component of a complex strategy is in a SMAT Event, trading in the complex strategy will be suspended and all RFR Responses will be cancelled. Remaining Complex Auction-eligible orders will then be placed on the Strategy Book. When the SMAT Event(s) no longer exist(s), the System will evaluate the Strategy Book pursuant to subparagraph (c)(5)(ii) of this Rule, and will use the process and criteria respecting the RIP as described in Interpretation and Policy .03(c) of this Rule to determine whether marketable complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

(3) Halts

(i) **Halts During Free Trading.** If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended. The Strategy Book will remain available for members to enter and manage complex orders and quotes. Incoming complex orders and quotes that could otherwise be executed or initiate a Complex Auction in the absence of a halt will be placed on the Strategy Book. Incoming complex orders and quotes with a time in force of IOC will be cancelled.

When trading in the halted component(s) and/ or underlying security of the complex order resumes, the System will evaluate the Strategy Book pursuant to subparagraph (c)(2)(i) of this Rule, and will use the process and criteria respecting the IIP as described in Interpretation and Policy .03(a) of this Rule to determine whether complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

(ii) **Halts During the Complex Auction.** If, during a Complex Auction, any component(s) and/or the underlying security of a Complex Auction-eligible order is halted, the Complex Auction will end early without trading and all RFR Responses will be cancelled. Remaining complex orders will be placed on the Strategy Book if eligible, or cancelled. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will evaluate the Strategy Book pursuant to subparagraph (c)(2)(i) above, and will use the process and criteria respecting the IIP as described in Interpretation and Policy .03(a) of this Rule

to determine whether marketable complex order interest exists to initiate a Complex Auction, or whether to commence trading in the complex strategy without a Complex Auction.

[(f) **Complex MIAX Emerald Price Collar Protection.** The Complex MIAX Emerald Price Collar (“MPC”) price protection feature is an Exchange-wide price protection mechanism under which a complex order or eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in \$0.01 increments (the “MPC Setting”), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the “MPC Price”).

(1) All complex orders, together with cAOC eQuotes and cIOC eQuotes (as defined in Interpretations and Policies .02(c)(1) and (2) of this Rule) (collectively, “eQuotes”), are subject to the MPC price protection feature.

(2) The minimum MPC Setting is \$0.00 and the maximum MPC Setting is \$1.00, as determined by the Exchange and communicated to Members via Regulatory Circular. The MPC Setting will apply equally to all options listed on the Exchange in which complex orders are available, and will be the same dollar amount for both buy and sell transactions.

(3) The MPC Price is established:

- (i) upon receipt of the complex order or eQuote during free trading, or
- (ii) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or
- (iii) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretation and Policy .05(e)(1) of this Rule, no longer exists.

(4) A Temporary MPC Price (“TMPC Price”) is established solely for use during a Complex Auction (as described in Rule 518(d)) or a cPRIME Auction (as described in Rule 515A, Interpretation and Policy .12) for (i) any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or a cPRIME Auction in that strategy; or (ii) any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction. The TMPC Price shall be the auction start price (the auction start price of a cPRIME Agency Order for a cPRIME Auction is defined in Rule 515A.12(a)(i) and the auction start price for a Complex Auction is defined in Rule 518(d)(1)) plus (minus) the MPC Setting if the order is a buy (sell). If

the complex order or eQuote eligible to participate in the Complex Auction or cPRIME Auction is priced more aggressively than the TMPC Price (i.e., the complex order or eQuote price is greater than the TMPC Price for a buy order, or the complex order or eQuote price is lower than the TMPC Price for a sell order) the complex order or eQuote may participate in the auction but will not trade through its TMPC Price.

(5) If the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote's bid price for a buy, or the MPC Price is greater than the complex order or eQuote's offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price. Any unexecuted portion of such a complex order or eQuote: (A) will be subject to the cLEP as described in subsection (e) of this Rule, and (B) may be subject to the managed interest process described in Rule 518(c)(4).

(6) If the MPC Price is priced more aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is greater than the complex order or eQuote's bid price for a buy, or the MPC Price is less than the complex order or eQuote's offer price for a sell), the complex order or eQuote will be displayed and/or executed up to its limit price. Any unexecuted portion of such a complex order will be submitted, if eligible, to the managed interest process described in Rule 518(c)(4), or placed on the Strategy Book at its limit price. Any unexecuted portion of such a complex eQuote will be cancelled.

(g) **Market Maker Single Side Protection.** A Market Maker may determine to engage the Market Maker Single Side Protection ("SSP") feature by Market Participant Identifier ("MPID"). If the full remaining size of a Market Maker's complex Standard quote or cIOC eQuote in a strategy is exhausted by a trade, the System will trigger the SSP for the traded side of the strategy. When triggered, the System will cancel all complex Standard quotes and block all new inbound complex Standard quotes and cIOC eQuotes for that particular side of that strategy for that MPID. The System will provide a notification message to the Market Maker. The block will remain in effect until the Market Maker notifies the Exchange (in a manner required by the Exchange and communicated to Members by Regulatory Circular) to reset the SSP ("SSP Reset").]

.06 No change.

Rule 532. Order and Quote Price Protection Mechanisms and Risk Controls

Managed Protection Override. The Managed Protection Override is a setting which, when enabled, allows Members to have their orders cancelled after a risk protection setting is triggered. If enabled the Managed Protection Override will apply to all of the risk protections listed below.

The following risk protection settings are subject to the Managed Protection Override:

- Vertical Spread Variance (“VSV”) Price Protection
- Calendar Spread Variance (“CSV”) Price Protection
- Butterfly Spread Variance (“BSV”) Price Protection
- Parity Price Protection
- Max Put Price Protection

The Managed Protection Override does not apply to derived orders.

(a) Simple Orders.

(1) Max Put Price Protection. The Exchange will determine a maximum trading price limit for a Put option as the strike price plus a pre-set value, the Put Price Variance.

(i) Buy orders that are priced through the maximum trading price limit will trade up to, and including, the maximum trading price limit, and will then be placed on the Book and managed to the appropriate trading price limit as described in Rule 515(c)(1)(ii), or cancelled if the Managed Protection Override (“MPO”) is enabled. Sell orders that are priced higher than the maximum trading price limit will be rejected.

(ii) A bid quote through the maximum trading price limit will trade up to, and including the maximum trading price limit, then will be placed on the Book and managed to the appropriate trading price limit as described in Rule 515(c)(1)(ii), or in the case of a bid eQuote, will be cancelled.

(iii) An offer quote greater than the maximum trading price limit is not rejected and will be placed on the Book and displayed. An offer eQuote greater than the maximum trading price limit will be cancelled.

(iv) The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.

(b) Complex Orders.

(1) Definitions. For purposes of this paragraph (b):

(i) Butterfly Spread. A “Butterfly Spread” is a three legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice the number

of calls (puts), all legs have the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. The strike price of each leg is equidistant from the next sequential strike price.

(ii) **Calendar Spread.** A “Calendar Spread” is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price.

(iii) **Vertical Spread.** A “Vertical Spread” is a complex strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices.

(2) **Butterfly Spread Variance (“BSV”) Price Protection.** The Exchange will determine a Butterfly Spread Variance (“BSV”) which establishes minimum and maximum trading price limits for Butterfly Spreads.

(i) The minimum possible trading price limit of a Butterfly Spread is zero minus a pre-set value. The maximum possible trading price limit of a Butterfly Spread is the absolute value of the difference between the closest strikes (the upper strike price minus the middle strike price or the middle strike price minus the lower strike price) plus a pre-set value.

(ii) If the execution price of a complex order would be outside of the limits set forth in paragraph (i) above (bid higher than the maximum trading price limit or offer lower than the minimum trading price limit), such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. Remaining interest will then will be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled.

(iii) Buy orders, sell orders, and offer eQuotes with a limit price less than the minimum trading price limit will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Sell orders with a limit price greater than the maximum trading price limit will be rejected. Offer eQuotes with a limit price greater than the maximum trading price limit will be cancelled.

(iv) The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.

(3) Calendar Spread Variance (“CSV”) Price Protection. The Exchange will determine a Calendar Spread Variance (“CSV”) which establishes a minimum trading price limit for Calendar Spreads.

(i) The maximum possible value of a Calendar Spread is unlimited, thus there is no maximum price protection for Calendar Spreads. The minimum possible trading price limit of a Calendar Spread is zero minus a pre-set value.

(ii) If the execution price of a complex order would be outside of the limit set forth in subparagraph (i) above (offers lower than the minimum trading price limit), such complex order will trade down to, and including, the minimum trading price limit. Remaining interest will then be placed on the Strategy Book and managed to the appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled.

(iii) Buy orders, sell orders, and offer eQuotes with a limit price less than the minimum trading price limit will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled.

(iv) CSV Price Protection applies only to strategies in American-style option classes.

(v) The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.

(4) Vertical Spread Variance (“VSV”) Price Protection. The Exchange will determine a Vertical Spread Variance (“VSV”) which establishes minimum and maximum trading price limits for Vertical Spreads.

(i) The maximum possible trading price limit of the VSV is the difference between the two component strike prices plus a pre-set value. For example, a Vertical Spread consisting of the purchase of one January 30 call and the sale of one January 35 call would have a maximum trading price limit of \$5.00 plus a pre-set value. The minimum possible trading price limit of a Vertical Spread is always zero minus a pre-set value.

(ii) If the execution price of a complex order would be outside of the limits set forth in subparagraph (i) above (bid higher than the maximum trading price limit or offer lower than the minimum trading price limit), such complex order will trade up to, and including, the maximum trading price limit for bids or down to, and including, the minimum trading price limit for offers. Remaining interest will then be placed on the Strategy Book and managed to the

appropriate trading price limit as described in Rule 518(c)(4), or cancelled if the Managed Protection Override is enabled.

(iii) Buy orders, sell orders, and offer eQuotes with a limit price less than the minimum trading price limit will be rejected. Bid eQuotes with a limit price less than the minimum trading price limit will be cancelled. Sell orders with a limit price greater than the maximum trading price limit will be rejected. Offer eQuotes with a limit price greater than the maximum trading price limit will be cancelled.

(iv) The pre-set value will be determined by the Exchange and communicated to Members via Regulatory Circular.

(5) MIA X Strategy Price Protection (“MSPP”). The System provides a MIA X Strategy Price Protection (“MSPP”) for complex orders. The MSPP establishes a maximum protected price for buy orders and a minimum protected price for sell orders.

(i) Complex orders with a time in force of Day or GTC are eligible for MSPP.

(ii) To calculate the protected price the System will use a MIA X Strategy Price Protection Variance (“MSPPV”) which will be determined by the Exchange and communicated to Members via Regulatory Circular.

(iii) The MSPP is calculated for buy orders by adding the MSPPV to the offer side of the cNBBO (or the offer side of the dcMBBO if the cNBBO is crossed). The MSPP is calculated for sell orders by subtracting the MSPPV from the bid side of the cNBBO (or the bid side of the dcMBBO if the cNBBO is crossed).

(iv) The MSPP is established:

(A) upon receipt of the complex order during free trading; or

(B) if the complex order is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or

(C) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretations and Policies .05(a)(1) of Rule 518, no longer exists.

(D) If a Wide Market condition exists at the start of a Complex Auction or a cPRIME Auction, buy orders are assigned an MSPP equal to the Auction Start Price plus the MSPPV and sell orders are assigned an MSPP equal to the Auction Start Price less the MSPPV.

(v) If the MSPP is priced less aggressively than the limit price of the complex order (i.e., the MSPP is less than the complex order's bid price for a buy order, or the MSPP is greater than the complex order's offer price for a sell order), or if the order is a complex market order, the order will be (i) executed up to, and including, its MSPP for buy orders; or (ii) executed down to, and including, its MSPP for sell orders. Any unexecuted portion of such a complex order will be cancelled.

(vi) If the MSPP is priced equal to, or more aggressively than, the limit price of the complex order (i.e., the MSPP is greater than the complex order's bid price for a buy order, or the MSPP is less than the complex order's offer price for a sell order) the order will be (i) displayed and/or executed up to, and including, its limit price for buy orders; or (ii) displayed and/or executed down to, and including, its limit price for sell orders. Any unexecuted portion of such a complex order: (A) will be subject to the cLEP as described in subsection (e) of Rule 518; (B) may be submitted, if eligible, to the managed interest process described in Rule 518(c)(4); or (C) may be placed on the Strategy Book at its limit price.

(vii) The functional limit price of a market order will be the MSPP.

(6) Complex MIAX Emerald Price Collar Protection. The System provides a Complex MIAX Price Collar ("MPC") price protection feature for complex orders. The MPC is an Exchange-wide price protection mechanism under which a complex order or eQuote to sell will not be displayed or executed at a price that is lower than the opposite side cNBBO bid at the time the MPC is assigned by the System (i.e., upon receipt or upon opening) by more than a specific dollar amount expressed in \$0.01 increments (the "MPC Setting"), and under which a complex order or eQuote to buy will not be displayed or executed at a price that is higher than the opposite side cNBBO offer at the time the MPC is assigned by the System by more than the MPC Setting (each the "MPC Price").

(i) All complex orders (excluding cPRIME Orders), together with cAOC eQuotes and cIOC eQuotes (as defined in Interpretations and Policies .02(c)(1) and (2) of Rule 518) (collectively, "eQuotes"), are subject to the MPC price protection feature.

(ii) The minimum MPC Setting is \$0.00 and the maximum MPC Setting is \$1.00, as determined by the Exchange and communicated to Members via Regulatory Circular. The MPC Setting will apply equally to all options listed on the Exchange in which complex orders are available, and will be the same dollar amount for both buy and sell transactions.

(iii) The MPC Price is established:

(A) upon receipt of the complex order or eQuote during free trading, or

(B) if the complex order or eQuote is not received during free trading, at the opening (or reopening following a halt) of trading in the complex strategy; or

(C) upon evaluation of the Strategy Book by the System when a wide market condition, as described in Interpretations and Policies .05(a)(1) of Rule 518, no longer exists.

(iv) A Temporary MPC Price (“TMPC Price”) is established solely for use during a Complex Auction (as described in Rule 518(d)) or a cPRIME Auction (as described in Rule 515A, Interpretations and Policies .12) for (i) any complex order resting on the Strategy Book that does not have an MPC assigned and is eligible to participate in a Complex Auction or a cPRIME Auction in that strategy; or (ii) any complex order or eQuote received during a cPRIME Auction if a wide market condition existed in a component of the strategy at the start of the cPRIME Auction. The TMPC Price shall be the auction start price (the auction start price of a cPRIME Agency Order for a cPRIME Auction is defined in Rule 515A.12(a)(i) and the auction start price for a Complex Auction is defined in Rule 518(d)(1)) plus (minus) the MPC Setting if the order is a buy (sell). If the complex order or eQuote eligible to participate in the Complex Auction or cPRIME Auction is priced more aggressively than the TMPC Price (i.e., the complex order or eQuote price is greater than the TMPC Price for a buy order, or the complex order or eQuote price is lower than the TMPC Price for a sell order) the complex order or eQuote may participate in the auction but will not trade through its TMPC Price.

(v) If the MPC Price is priced less aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is less than the complex order or eQuote’s bid price for a buy, or the MPC Price is greater than the complex order or eQuote’s offer price for a sell), or if the complex order is a market order, the complex order or eQuote will be displayed and/or executed up to its MPC Price. Any unexecuted portion of such a complex order or eQuote: (A) will be subject to the cLEP as described in subsection (e) of Rule 518, and (B) may be subject to the managed interest process described in Rule 518(c)(4).

(vi) If the MPC Price is priced more aggressively than the limit price of the complex order or eQuote (i.e., the MPC Price is greater than the complex order or eQuote’s bid price for a buy, or the MPC Price is less than the complex order or eQuote’s offer price for a sell), the complex order or eQuote will be displayed and/or executed up to its limit price. Any unexecuted portion of such a complex order will be submitted, if eligible, to the managed interest

process described in Rule 518(c)(4), or placed on the Strategy Book at its limit price. Any unexecuted portion of such a complex eQuote will be cancelled.

(7) Implied Away Best Bid or Offer (“ixABBO”) Price Protection. The ixABBO price protection feature is a price protection mechanism under which, when in operation as requested by the submitting Member, a buy order will not be executed at a price that is higher than each other single exchange’s best displayed offer for the complex strategy, and under which a sell order will not be executed at a price that is lower than each other single exchange’s best displayed bid for the complex strategy. The ixABBO is calculated using the best net bid and offer for a complex strategy using each other exchange’s displayed best bid or offer on their simple order book. For stock-option orders, the ixABBO for a complex strategy will be calculated using the BBO for each component on each individual away options market and the NBBO for the stock component. The ixABBO price protection feature must be engaged on an order-by-order basis by the submitting Member and is not available for complex Standard quotes, complex eQuotes, cAOC orders, cPRIME Orders, cC2C Orders, and cQCC Orders.

(8) Market Maker Single Side Protection. A Market Maker may determine to engage the Market Maker Single Side Protection (“SSP”) feature by Market Participant Identifier (“MPID”). If the full remaining size of a Market Maker’s complex Standard quote or cIOC eQuote in a strategy is exhausted by a trade, the System will trigger the SSP for the traded side of the strategy. When triggered, the System will cancel all complex Standard quotes and block all new inbound complex Standard quotes and cIOC eQuotes for that particular side of that strategy for that MPID. The System will provide a notification message to the Market Maker that the protection has been triggered. The block will remain in effect until the Market Maker notifies the Exchange (in a manner required by the Exchange and communicated to Members by Regulatory Circular) to reset the SSP (“SSP Reset”).

Interpretations and Policies:

.01 When an order is eligible for multiple price protections the System will apply the most conservative.
